WELLS FARGO

The Next Stage®

Our product is service.

WELLS FARGO

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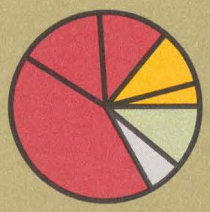
Wells Fargo & Company (NYSE:WFC) is a diversified financial services company — providing banking, insurance, investments, mortgage and consumer finance from about 5,400 stores, the industry's leading Internet site (wellsfargo.com) and other distribution channels across North America.

Our corporate headquarters is in San Francisco but we're decentralized so that every local Wells Fargo store is a headquarters for satisfying all our customers' financial needs and helping them succeed financially.

Assets: $272 billion
Rank in size among U.S. peers: 4th
Market value of stock: $95.2 billion
Rank by market cap among U.S. peers: 2nd
Total Team members: 117,000

Major Lines of Business



Community Banking	42%	Home Mortgage/ Home Equity	11%
Investment/Insurance	15%		
Specialized Lending	12%		
Wholesale Banking	10%	Consumer Finance	6%
Commercial Real Estate	4%		

Based on historical averages and near future year expectations

Wells Fargo Community Banking
USA's most extensive banking franchise. Serves 11 million households in 23 states from Ohio to Alaska.

Wells Fargo Wholesale Banking
Includes U.S. Corporate and Commercial Banking, Capital Markets, Commercial Real Estate Lending. Serves 59,000 customers nationwide.

Wells Fargo Home Mortgage
USA's largest originator and servicer. Serves 4 million customers.

Wells Fargo Financial
One of USA's leading consumer finance companies. 4.5 million customers in 47 states, all 10 Canadian provinces, Caribbean, Latin America, Guam and Saipan.

FORWARD-LOOKING STATEMENTS In this report we make forward-looking statements about our company's financial condition, results of operations, plans, objectives and future performance and business. When we use the words "believe," "expect," "anticipate," "estimate," "may," "can," "will" or similar expressions, we are making forward-looking statements. These forward-looking statements involve inherent risks and uncertainties. A number of factors — many of which are beyond our control — could cause actual results to differ from those in our forward-looking statements. These factors include: • changes in political, business and economic conditions, including changes in interest rates • competition, including competition from insurance companies and securities firms • fiscal and monetary policies • customers choosing not to use banks for transactions • legislation, including the Gramm-Leach-Bliley Act • the integration of the former Norwest and the former Wells Fargo • future mergers and acquisitions • the integration of merged and acquired companies. We discuss in more detail on pages 36-39 these and other factors that could cause actual results to differ from those in our forward-looking statements. There are other factors not described in this report that could cause actual results to differ.

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To Our Owners What's the "Next Stage" for Wells Fargo? What's our company's single biggest challenge and our single biggest revenue opportunity? The answer is simple. It's the quality of our customer service. If we—as one team—can seize this opportunity, I believe we can consistently increase revenue ten percent or more and profits would grow even faster. We then will achieve our vision: satisfy all our customers' financial needs, help them succeed financially, and be known as one of America's great companies.

First, let's look back to see how far we've come. Our team has made outstanding progress since the merger of equals between Norwest and Wells Fargo more than two years ago.

Dick Kovacevich, President & CEO

Thanks to our 117,000 talented team members, Wells Fargo achieved something never before accomplished in banking history. We successfully merged and combined the systems of two large banks while delivering record cash earnings per share of $2.91, excluding First Security results for the first nine months of 2000. That was 14 percent higher than last year. On a similar basis, we also had record revenue growth of more than 10 percent and increased market share. I believe ours was the largest and most complex systems conversion in banking history. In 2000 alone, we had 63 separate conversions, more than one a weekend. These conversions connected what now is America's most extensive banking franchise—23 Midwestern and Western states spanning more than 3,000 miles across five time zones from Van Wert, Ohio, to Bethel, Alaska. The conversions affected more than 14 million banking customers, 2,900 banking stores and 6,500 ATMs. The result is we now present ourselves as one brand to our customers. They can save more time and money than ever before and benefit from the convenience of one of North America's largest and most diversified financial services companies.

Amazing Progress What's amazing is this:

- Our team completed these conversions six months ahead of schedule.
- Each of these conversions was difficult and required thousands of our people to work many weekends and extra hours. They pulled together. They persevered. They put the customer first. They connected. What a team!
- In the midst of these conversions, we announced and began integrating 41 acquisitions with banking assets of $40 billion (including the $23 billion First Security Corporation and the $3 billion National Bancorp of Alaska, Inc.). That's almost half the size of either the former Norwest or the former Wells Fargo two years ago.
- We not only earned more business from current customers but gained market share and new customers. That's almost unheard of in the midst of a major merger in any industry.

- Excluding First Security, we achieved eight consecutive quarters of record net income, earnings per share, return on assets and return on equity.
- Our price to earnings ratio at year-end 2000 was almost twice that of our peer group—and our stock price rose 38 percent in 2000.
- Loans and revenue across our 23-state Community Banking franchise grew 13 percent and 9 percent respectively.
- In California, home to one of every nine Americans, product sales grew 22 percent, loans and revenue each grew 16 percent. We now touch two of every five of the state's residents.
- Wholesale Banking—serving commercial real estate and corporate customers—grew its loan volume 15 percent. Sales calls, proposals and new relationships were up over 25 percent.
- Our mortgage company had its tenth consecutive year of record earnings and regained its #1 industry ranking in both loan originations and loan servicing.
- Home equity loans grew over 20 percent company-wide and monthly originations via the Internet increased four-fold.
- Our consumer finance business grew receivables by $2 billion, a 20 percent increase.
- Our Internet site, wellsfargo.com—our fastest growing distribution channel—surpassed 2.6 million customers. That's two and a half times larger than two years ago. We're still adding 100,000 new customers a month, more than two a minute. We have more daily, individual visitors a month than Fidelity, American Express, Citibank, Bank of America or Schwab.
- Our Private Client Services businesses—investment management and brokerage—increased revenue about 20 percent. Since the merger, our brokerage sales team has grown 80 percent and their productivity has risen 41 percent.

Looking Ahead: One Key Measure We've made outstanding progress. By itself, however, it cannot connect us to the "Next Stage" of our company, ensure continued double digit revenue increases, and achieve our vision. As our industry continues to grow and consolidate, we believe there's one key measure of performance that will separate the winners from also-rans and have a major effect on our market share and stock price. New products and technology are not enough. They can be copied quickly. Efficiency is important but you cannot cost-cut your way to growth. Acquisitions help us enter new markets and increase market share but bigger is not always better. Cross-sell—earning all our customers' business—is absolutely critical but more sales do not always create satisfied customers. What's left?

We believe it's this. ***The quality of our customer service.*** That is determined by the attitude, the caring, the commitment of all 117,000 of our team members. Considering all we've achieved the past two years—conversions, acquisitions, revenue and profit growth, increased market share, retaining two thirds of our team members whose positions were eliminated due to the merger —we feel very good that there has been no broad deterioration in our customer service. We're at least as good as our competitors. We consider that quite an accomplishment.

The question now is—can a company that wants to be great get there with average customer service? The answer is no. We're great in many areas—financial performance, product innovation, sales success, returns to stockholders and social responsibility. Customer service, however, is the one area in which we continue to be about average compared with our peers. We're not alone. National surveys show continued declines in customer satisfaction in many industries. Customer expectations, on the other hand, are rising. When customers ***do*** get great service, it becomes the standard for what they expect all the time. Every customer wants special treatment all the time. They deserve it. They're the customer.

Service quality not only affects our customers, it affects our bottom line and your investment in Wells Fargo. We cannot provide average service and expect to achieve superior financial performance. A lost customer is lost revenue. Once we lose customers, it's almost impossible to get them back. Good news travels fast. Bad news travels faster. Every customer who gets poor service from a company tells lots of other people. It costs us five times as much to add new customers as it does to keep those we already have. Every two percent of customers we keep is equal to cutting costs ten percent.

Most customers who leave a financial services company do so not because of inconvenience or complaints about products or fees. They leave because they feel no one cares. They leave because a series of events or a combination of circumstances makes them believe something is wrong with the company's process for fixing their problem. They might leave, even though they're treated with courtesy, because the problem doesn't get fixed or doesn't get fixed fast enough.

Time to Put a Stake in the Ground So, now is as good a time as any to face the facts and put a stake in the ground. Our service is average to slightly above average. We want it to be great. We want to give service that is 110 percent.

We've known for many years that we're not really in the money business. Money is a commodity. We're in the service business. Service is not a commodity. It's the value added.

Our Product is Service. We're not really in the money business. Money is a commodity. We're in the service business. Time is money. Advice is money.

Our product is service. The talent of our people sells products. The quality of our service keeps customers coming back for more. We intend to distinguish ourselves from our competitors in two important ways. ***First,*** we want to be advocates for our customers. We want to put them at the center of everything we do. We want to give them such outstanding service that they will give us all their business, honor us with repeat purchases and rave about us to their families, friends and business associates. ***Second,*** we want to understand their needs so well and give them such sound financial advice that we will help them become financially successful and they, in turn, will reward us with more of their business. We want every one of our consumer households and business customers to buy an average of eight products from us, about double what they have with us today.

Yes, these are ambitious goals. Yes, it will take time to achieve them. This is hard to do. Anything hard to do, however, is a competitive advantage if you get it right because your competitors can't copy it. Here's how we expect to do it.

First, we've created a Customer Experience Team to set goals, decide the elements of our customer service programs, identify service problems, and commit resources to fix those problems. This group—made up of senior managers from across the company—has formed a SWAT team that addresses problems that need immediate fixing because they're having a significant effect on our customers.

Second, we expect that the first team member a customer approaches with a problem will take personal responsibility for fixing it. It's human nature to want to hand off a problem to someone else. The bigger a company is the more that happens. Bigger, however, is not always better. In fact, the bigger we become, the smaller we have to be. The bigger we are, the more important that each of our team members accepts individual responsibility and accountability. Customers can get lost in big companies. They don't always know the right person to turn to for help. Quite often they can be passed from one person, phone number, recorded message, voice mail or mouse click to another. Taking personal responsibility for the customer is essential because every team member is Wells Fargo to that customer. That means we must become much better at giving our people authority to solve a customer's problem—on the spot. If that means on occasion that a team member—trying to do the right thing for a customer—doesn't follow procedures exactly, so be it. Our most important policy is "doing it right for the customer."

Third, we're creating a consistent process across our company—and in every one of our businesses—for elevating service quality to the same level of importance as sales. This includes having a common understanding across the company—and in every one of our businesses—of what we mean by outstanding customer service. We do this as advocates for our customers—external and internal—by putting them at the center of everything we do:

Empathizing—"*I know this can be upsetting.*"

Taking charge—"*I'll take care of that for you.*"

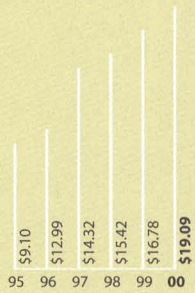
Promising and delivering—"*I'll call you back in 10 minutes.*"

Fourth, our goal is to reduce—by at least half—the annual rate at which we're losing customers. We lose one of every five consumers every year due primarily to failures in our processes or in our attitude. One of every five—gone! That may not be unusual for a financial services company but that doesn't make it acceptable. Cutting our annual customer loss by half would, alone, increase our revenue ten percent.

On pages 9-19, you'll find 12 stories of outstanding customer service across our company. Each of these stories—selected from among hundreds that occur at Wells Fargo every day—has one thing in common. Each team member decided to take personal ownership of a customer's problem and wouldn't let go until it was solved. No one told them to do it. They just did it. In many cases their advocacy for the customer convinced the customer to give us even more of their financial services revenue. As we like to say, more sales do not always result in better service but better service almost always results in more sales. In every one of these stories, the customer's impression of our entire company was defined by the quality of service that one team member

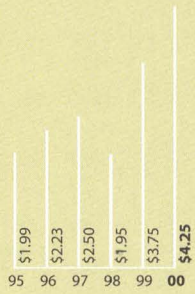
Our Performance

($ in millions, except per share amounts)	2000	1999	% Change 2000/1999
AS REPORTED			
FOR THE YEAR			
Net income	$ 4,026	$ 4,012	—%
Net income applicable to common stock	4,009	3,977	1
Earnings per common share	$ 2.36	$ 2.32	2
Diluted earnings per common share	2.33	2.29	2
Dividends declared per common share	.90	.785	15
Average common shares outstanding	1,699.5	1,714.0	(1)
Diluted average common shares outstanding	1,718.4	1,735.4	(1)
Profitability ratios			
Net income to average total assets (ROA)	1.61%	1.78%	(10)
Net income applicable to common stock to average common stockholders' equity (ROE)	16.31	17.55	(7)
Total revenue	$ 19,708	$ 18,091	9
Efficiency ratio	60.0%	58.8%	2
Average loans	$145,577	$123,638	18
Average assets	250,188	225,099	11
Average core deposits	145,793	139,310	5
Net interest margin	5.35%	5.47%	(2)
AT YEAR END			
Securities available for sale	$ 38,655	$ 43,911	(12)
Loans	161,124	133,004	21
Allowance for loan losses	3,719	3,344	11
Goodwill	9,303	8,046	16
Assets	272,426	241,053	13
Core deposits	156,710	138,247	13
Common stockholders' equity	26,221	23,600	11
Stockholders' equity	26,488	23,871	11
Tier 1 capital	16,096	15,010	7
Total capital	23,024	20,512	12
Capital ratios			
Common stockholders' equity to assets	9.63%	9.79%	(2)
Stockholders' equity to assets	9.72	9.90	(2)
Risk-based capital			
Tier 1 capital	7.29	8.00	(9)
Total capital	10.43	10.93	(5)
Leverage	6.49	6.76	(4)
Book value per common share	$ 15.29	$ 13.91	10
Team members (active, full-time equivalent)	108,727	98,715	10
ADJUSTED CASH BASIS‡*			
FOR THE YEAR			
Net income	$ 4,860	$ 4,304	13%
Net income applicable to common stock	4,843	4,269	13
Diluted earnings per common share	2.91	2.56	14
Profitability ratios			
Net income to average total assets (ROA)	2.18%	2.22%	(2)
Net income applicable to common stock to average common stockholders' equity (ROE)	34.58	34.08	1
Total revenue	$ 19,088	$ 16,775	14



Revenue (billions)*
Compound Annual Growth Rate (5 years) 16%

In financial services, the name of the game is revenue growth— the ability to earn more of our customers' business.



Net Income (billions)*
Compound Annual Growth Rate (5 years) 16%

Since 1995, our net income has grown at a compound annual rate of 16%, among the best in our industry.

Dividends
Compound Annual Growth Rate (5 years) 15%

We've increased our dividend every nine months for each of the past ten years.

‡ *Cash earnings exclude goodwill and nonqualifying core deposit intangible amortization and balances.*

**Represents Wells Fargo's originally reported results, as reported before the merger with First Security, for the prior year and for the nine months ended September 30, 2000, plus the fourth quarter 2000 results, which include First Security.*

provided. As valuable and as powerful as our brand is, nothing defines it more in our customers' minds than the people behind it.

Growth Opportunities In addition to improving service quality, here are the other major opportunities we're pursuing to help us to continue to deliver double-digit revenue growth every year.

First, we no longer define market share simply by banking deposits. Deposits are a small pond and getting smaller. They're now only 25 percent of our customers' assets. Mutual funds now exceed all bank deposits. Money market funds equal all funds in checking accounts. In many of our banking states, for example, we have about 25-30 percent share of banking deposits but only a three percent share of all our customers' financial revenue. We want to get to at least ten percent.

Second, to grow revenue in double digits every year we must sell at least one more product to every customer every year. When Norwest and Wells Fargo merged in November 1998 our combined cross-sell was about 3.3 products per retail banking household. At year-end 2000, it was about 3.7. To get to our goal of eight we need to double that. We're headed in the right direction but not fast enough. If we sell one new product to every customer every year we can get to eight products per banking household in about five years. We have a long way to go. Our customers buy three times more products from our competitors than from us. Our customers will reward us with more of their business when we give them better service.

Third, our business model—selling every financial services product to every customer through every channel—distinguishes us as an aggregator and distributor and as an integrator of all delivery channels. Now we must do a better job of *measuring* how effective we are at asking for new business from current customers at all points of customer contact—stores, ATMs, phones, Internet and mail.

Fourth, we have to do a better job of selling to our customers' multiple needs. They're willing to listen if we offer them compelling ways to save time and money. That was, after all, the logic behind the 1999 Financial Modernization law that broke down the Depression-era wall between commercial and investment banking. We must sell product packages like the *Wells Fargo Portfolio Management*℠ Account (PMA®) which includes combined statements. Our average PMA customer has nearly nine products and average account balances of more than $170,000. We also have product packages for homeowners, renters, students, high net worth customers and small businesses. We need to sell a package of services to all of our commercial clients including all of our cash management products, our international and foreign exchange services, 401(k) plans, direct deposits, real estate services, and stock transfer.

Fifth, we must ensure that our businesses are partnering effectively to cross sell to each others' customers. We're making good progress but we've only just begun. Here's how much of our business our 17 million banking customers may give to our competitors:

Customers who buy their insurance from a competitor	95%
Banking customers who have a mortgage with a competitor	86%
Banking customers who have no brokerage relationship with us	95%
Commercial banking customers who do not consider us their primary financial provider	45%
Banking customers who have a home equity loan with a competitor	90%

Sixth, we must evolve wellsfargo.com—our fastest growing delivery channel—from a transaction center to a relationship center. Our goal is to "virtualize the bank" and offer via the Internet any product or service we offer in our other channels. We have integrated our Internet site with our businesses and with our customers' needs. Every channel—stores, *Phone Bank*℠ centers, ATMs, Internet and mail—must be a sales channel. Every point of customer contact is a sales opportunity. At year-end 2000 we were selling an average of 46,000 products a month through wellsfargo.com. We should be selling ten times that.

To achieve this, we've invested millions of dollars the past two years so our customers can go beyond basic Internet banking to:

- see their latest balances from other financial institutions with one sign-on;
- have wireless access to account information, transfers, and free stock quotes;
- invest in stocks, mutual funds and options, with access to real-time quotes, alerts, news and research;
- make regular investments in individual stocks in small batches automatically;
- pay for items they buy on an Internet auction site (eBay, Inc.) with their credit cards or via Electronic Check service (with Billpoint, Inc.);
- have wellsfargo.com personalized to meet their distinct information needs;
- securely store billing, shipping and credit card data in one electronic location so they don't have to re-enter data every time they buy something online; and
- help business customers start, manage and grow their business online with credit services, insurance and marketing support.

Stockholder Return The market has only begun to recognize our success and our earnings potential. On December 29, 2000 our stock reached a record high of $56.38, up 38 percent in 2000 compared to declines of six, ten and 40 percent respectively for the Dow Jones Industrial Average, the S&P 500 and the NASDAQ. Despite our double-digit revenue and earnings growth, 35 percent return on equity (adjusted cash basis) and market share leadership in many fast growing states, we continue to sell at a 40 percent discount to the S&P 500.

People as a Competitive Advantage We will not be known as one of America's great companies unless we are effective in attracting, retaining and developing our people. Keeping team members is perhaps more important than keeping customers—because customers want to do business with people they know and trust. We want to measure our ability to keep team members just as we measure our ability to keep customers. This is especially important in an industry such as ours, which relies so heavily on special skills required for information technology. We're particularly proud many of our team members whose positions were eliminated by the merger involving Norwest and Wells Fargo are still with our company in other jobs. Their loyalty to the company is a double benefit to you, our owners. They're providing great service to our customers and it would have cost the company millions to replace them.

We also need to be a more diverse company. We want to build a climate of inclusiveness. For every position that opens at Wells Fargo, we want our managers to consider diverse candidates. By becoming a more diverse company we can respond faster to the needs of our increasingly diverse customers and communities and earn more of their business.

Our commitment to outstanding service begins with our people. They're the vehicle to our vision and the core of our culture. Our formula for success starts with them. If I drew it on a blackboard it would look like this:

Talented, Diverse People = Superior Service and Execution = Earning 100% of Our Customers' Business = Double-Digit Profit Growth = Higher Stock Price = One of America's Great Companies.

PartnerShares® Our team members continue to think and act like owners because they are. In 2000, the company awarded stock option grants of 100 to 400 shares to virtually all of our team members to thank them for our merger integration success and encourage outstanding service so we can gain 100 percent of our customers' business. These are the second company-wide stock option awards in the last two years for the new Wells Fargo and the fourth in the last four years for eligible team members from the former Norwest.

Our Product is Service Our company is nearing a milestone that very few American companies have reached. We're about to enter our 150th year of continuous service. Wells Fargo was founded as a stagecoach express and banking company on more than just its ability to reduce time and distance relative to money. It was founded on a commitment to outstanding service. The "Next Stage" for Wells Fargo is to connect back to that founding principle.

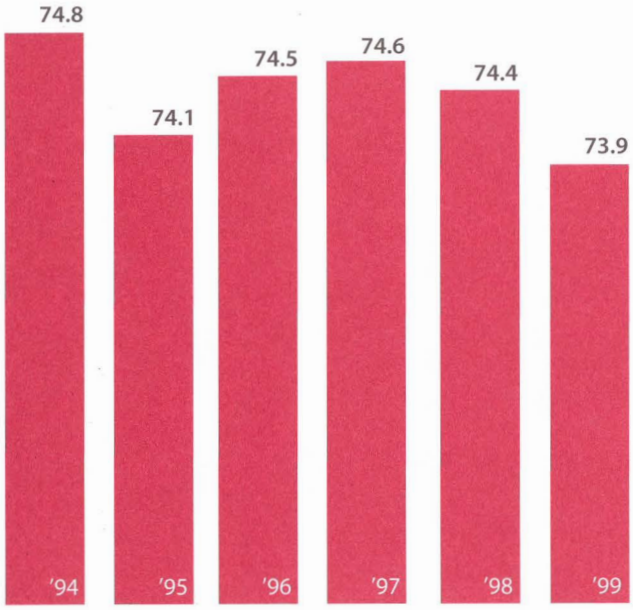
"We are fully prepared," said a Wells Fargo ad in the 1850s, "to do promptly and faithfully any business committed to our care." It's the same today. Our product is and always has been service. We want to be advocates for our customers. We want to put them at the center of everything we do. If we do that, I have no doubt we will achieve our vision of satisfying all of our customers' financial needs, help them succeed financially, and be known as one of America's great companies.

As always, we thank you, our owners, for your support. We especially thank our great team of talented people for being the very best at what they do. They have connected with each other, with their customers, with their communities and with stockholders. They've brought us to the "Next Stage" for Wells Fargo. It promises to be the most successful ride our company has ever had.

Richard M. Kovacevich, President and CEO

Paul Hazen, A Tribute

With his retirement from the Board of Directors in April 2001, Paul Hazen ends an illustrious Wells Fargo career spanning more than three decades. He joined Wells Fargo in 1970 as deputy head of Wells Fargo Mortgage and Equity Trust. He became president and CEO of the Trust in 1977, an EVP of the Company in 1978, a vice chairman in 1981, president and COO in 1984, chairman and CEO in 1995, and with the Norwest-Wells Fargo merger, chairman of the combined company November 2, 1998. During those 31 years the company grew in assets from $6 billion to $272 billion and in annual net income from $33 million to $4+ billion. His integrity and thoughtfulness, his sensitivity to the best interests of team members, customers, communities and stockholders, and his leadership during the merger are his legacy for the future growth and profitability of the new Wells Fargo.



In national surveys, customers give the financial services industry an average grade on a scale of 0-100 for service quality—a market share growth opportunity for Wells Fargo.

American Customer Satisfaction Index (www.bus.umich.edu/research)

Our new business portal allows our middle market and large corporate customers to save time and money by managing their financial services from one place on the Web. Through a single sign-on, these customers can see balances, transfer funds between accounts, handle all their treasury management, view transaction history, fix loan rates, hedge foreign exchange risk and administer "purchase card" services. We've also made it possible for our small business customers to build online stores, sell online, accept online payments, process their payroll and manage their working capital.

We must sell effectively through the Internet with messages tailored for each customer. Our strategy is to test, learn and make it our most effective sales channel. To serve our 2.5 million online customers we've opened another online customer service center employing several hundred team members in Salt Lake City.

Outstanding Momentum Our commitment to outstanding service and earning all our customers' business gives us great momentum for 2001. Thanks to our diverse businesses and talented team members, Wells Fargo achieved record results in 2000:

Adjusted Basis*	2000	% increase from 1999
Net income	$4.25 billion	13
EPS	$2.54	14
ROA	1.82%	(2)
ROE	18.16%	3

**Wells Fargo's originally reported results, as reported before the merger with First Security, for the prior year and for the nine months ended 9/30/00, plus fourth quarter 2000 results, which include First Security.*

These measures of financial performance, we believe, are much more relevant on an adjusted cash basis, which shows Wells Fargo's ability to support growth and pay dividends:

Cash Adjusted Basis‡**	2000	% increase from 1999
Net income	$4.86 billion	13
EPS	$2.91	14
ROA	2.18%	(2)
ROE	34.58%	1

‡Cash earnings exclude goodwill and nonqualifying core deposit intangible amortization and balances.

**Wells Fargo's originally reported results, as reported before the merger with First Security, for the prior year and for the nine months ended 9/30/00, plus fourth quarter 2000 results, which include First Security.*

Credit Quality We continue to emphasize a conservative financial position and a disciplined credit process, managing risk by industry, geography and customer. The last few years we've warned that, contrary to new age thinking, the economic cycle had not disappeared. We told you to expect loan losses to rise significantly for the banking industry as the economy slows. The economy has slowed. Sure enough, non-performing loans and losses are rising. Wells Fargo has chosen to lose some stand-alone commercial lending business because the loan terms did not make economic sense. We view credit as only one part of a mutually beneficial relationship with commercial customers that should include treasury management, 401(k) plans, *Wells Fargo Membership* banking, trade services, foreign exchange, Internet services, insurance, to name just a few.

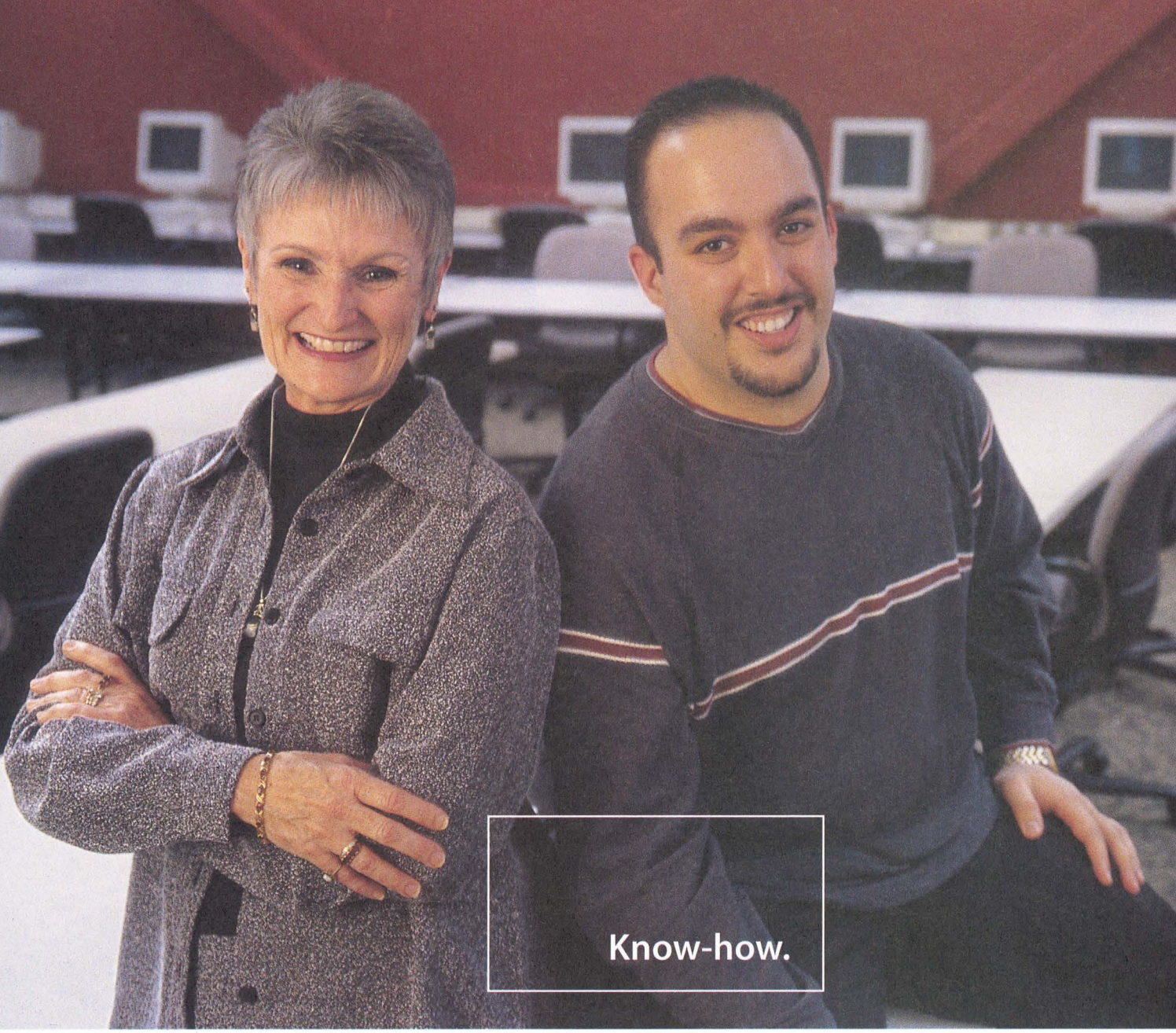
Our own non-performing loans, which have been low by historic standards, also will increase in 2001.

"They Just Did It." On the following pages, you'll find 12 stories of outstanding customer service across our company. Each of these stories—selected from among hundreds that occur at Wells Fargo every day—has one thing in common. Each team member decided to take personal ownership for a customer's problem and wouldn't let go until that problem was solved. No one told them to do it. They just did it. In many cases their advocacy for the customer convinced the customer to give us even more financial services revenue. As we like to say, more sales do not always result in better service but better service almost always results in more sales. In every one of these stories, the customer's impression of our entire company was defined by the quality of service that one team member provided. As valuable and as powerful as our brand is, nothing defines it more in our customers' minds than the people behind it.

Banker Roberto Garfias, page 17

Another Chance

An upset customer stormed out of a Wells Fargo bank in Austin, Texas. She had been charged fees for overdrafts on her account after assuming that a Wells Fargo banker had attached overdraft protection to her checking account. Personal Banker **Renee Hill** rushed to the parking lot to apologize and asked for the chance to fix the problem. The customer refused but agreed to allow Renee to call her at her home. Renee tried to reach the customer by phone three days in a row. On the fourth day she succeeded. The customer was so impressed by Renee's caring and persistence, she gave Wells Fargo another chance and deposited an additional $100,000 in her account.

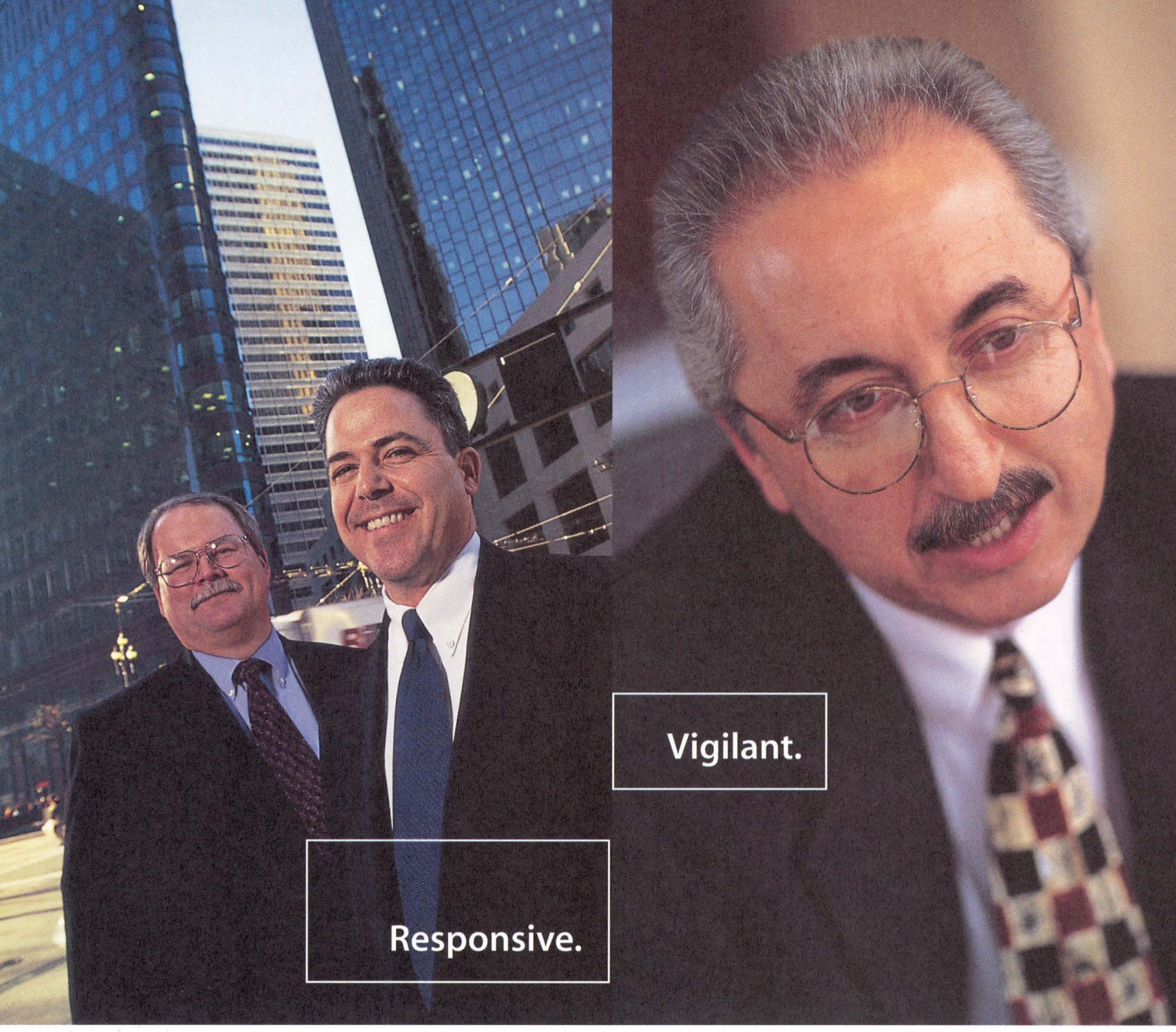


Moment of Truth

Kathy Rentmeester and **Eric Hasbun** know how it feels to be on the front lines. Both started their Wells Fargo careers as tellers. Both have been personal bankers. They know what it's like at that "moment of truth" in customer service—when you need answers fast on the spot. As part of a behind-the-scenes support team for bankers, they helped make the conversion of 970 California banking stores virtually invisible for 8.7 million retail customers. It was the largest conversion in the Norwest-Wells Fargo merger integration, lasting six weeks in three phases, requiring more than a year of preparation. Kathy trained the support team. Eric even spent a week as a "buddy banker" at Wells Fargo stores in Beaumont and Banning, Calif., helping bankers navigate new systems and processes. Said one grateful banker in a thank you note to Eric, "Your knowledge, your patience and your commitment made this experience a success."

A Weight Off My Shoulders

Jennifer Genus—a Wells Fargo Financial store manager in Jacksonville, Fla.—knows more than a hundred customers by their first names and they know her. They ask for her by name when they call the store. She visits them at home. She even sees them at church. "I don't think of myself as a manager of a consumer finance store," she says, "but as a human being trying to help other human beings with their financial needs." One customer walked into her store recently to tell her he had changed jobs and would be paid monthly instead of every week. Since his next paycheck wouldn't come for another 45 days he needed a $1,500 loan to cover expenses. "He couldn't go to a local bank or a credit union for that small a loan, so he turned to me," said Jennifer. "Since he already had a relationship with us it was easy to approve the loan instantly. He was out the door in a half hour with his check. He told me on the way out, 'Jennifer, when I came here I had a heavy weight on my shoulders. You turned it into a feather.'"

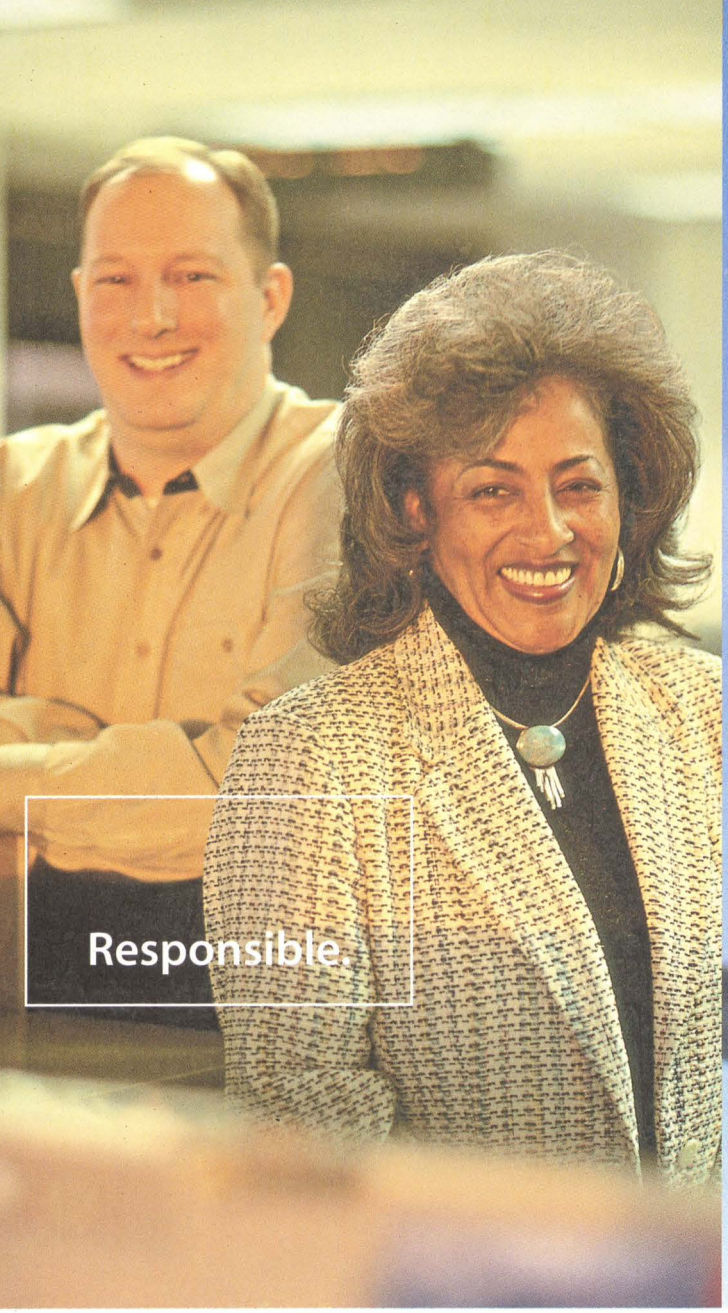


Returning Calls

Poor service by a competitor can be a sales opportunity. That's exactly what happened to **Michael Rodgers** (right), a relationship manager for Wells Capital Management ($87 billion in equity and fixed income portfolios for institutions). During a routine review of a portfolio for a publicly traded company, he heard one of the company's executives complain about its primary bank — it wasn't returning phone calls or following procedures for clearing checks. The customer— which had used Wells Fargo for foreign exchange and to invest excess cash — was ready to listen to proposals but it didn't want to go through the paperwork hassle of switching. Rodgers assembled a team — including Commercial Banker **Ken Lloyd** (left) and Treasury Management's **Pat Wylie** — to make the switch virtually effortless. Result: the customer is considering giving Wells Fargo all its cash management business and transferring a $25 million line of credit. The customer also committed to move $40 million to Wells Fargo from its primary bank — increasing its Wells Fargo balances to $70 million.

"He Took the Time"

A customer overdrew his account with seven checks but caught his error before the funds were released to the third parties. Then, out of the blue, he got a call from **Martin Boghosian,** manager of a Wells Fargo banking store in Encino, Calif., who noticed the potential overdrafts in a routine review. "He took the time," wrote the customer, "to look at my history which indicated strong deposits and no problems. In short, he recognized a good customer. He took it upon himself to get the story straight and realized sufficient funds would be deposited the same day, or the next automatically. Martin took responsibility for my mistake as his own. Amidst the huge entity of Wells Fargo, I am nothing, yet I caught his attention and received his help, just like years ago when I lived in a small town and banked with a small bank that knew everyone by their first name." The customer stayed with Wells Fargo, his wife is considering moving her checking account and other savings accounts to Wells Fargo and they may refinance their home with Wells Fargo.



Accepting the Challenge

A customer called Wells Fargo on a Friday night in a panic. He had lost his connection to the bank's electronic bill payment service via Quicken just as he was about to leave on a two-week, cross-country Thanksgiving vacation. Wells Fargo's **Rick Sapp**, a customer care manager, spent more than an hour on the phone with the customer trying to fix the problem. In desperation, Rick put the customer in touch with **Maxine Reynolds**. With Internet Services only five days (after seven years as a store manager), she's one of the company's helpers of last resort when all other efforts for an Internet customer are unsuccessful. She accepted the challenge. She called and paged several people, finally managing to get a vendor manager out of bed in Cleveland who punched in phone codes from home and reconnected the customer. Maxine stayed on the phone with the customer for two and a half hours until the problem was fixed. "Maxine Reynolds is a hero," said the customer. "She recognized the mistake Wells Fargo had made, understood why I was upset, and sympathized with me. I can be a bully on the phone when I have a service problem but she stayed calm and even-handed and took personal responsibility. At some companies, when you have a problem, someone just 'kicks the can up the block' to someone else and you can't get anyone to help you. Maxine helped me."

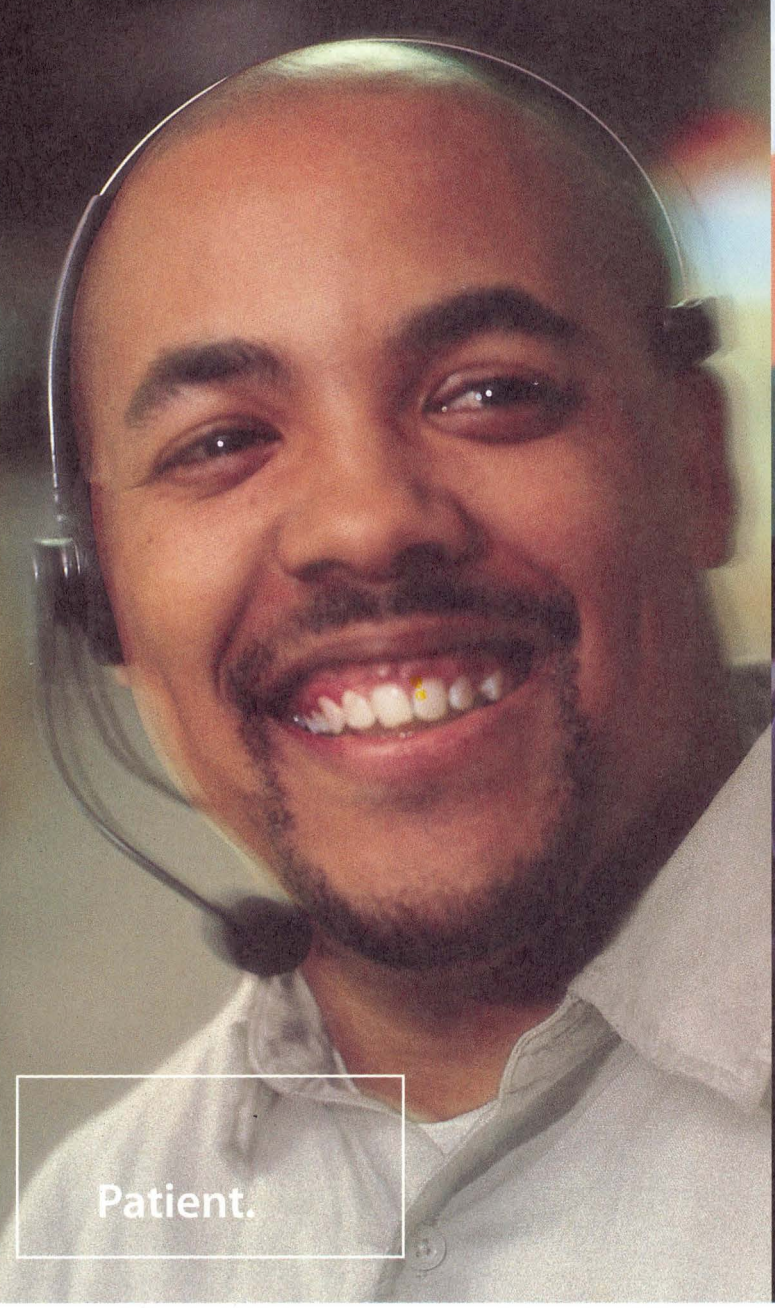
Fast.

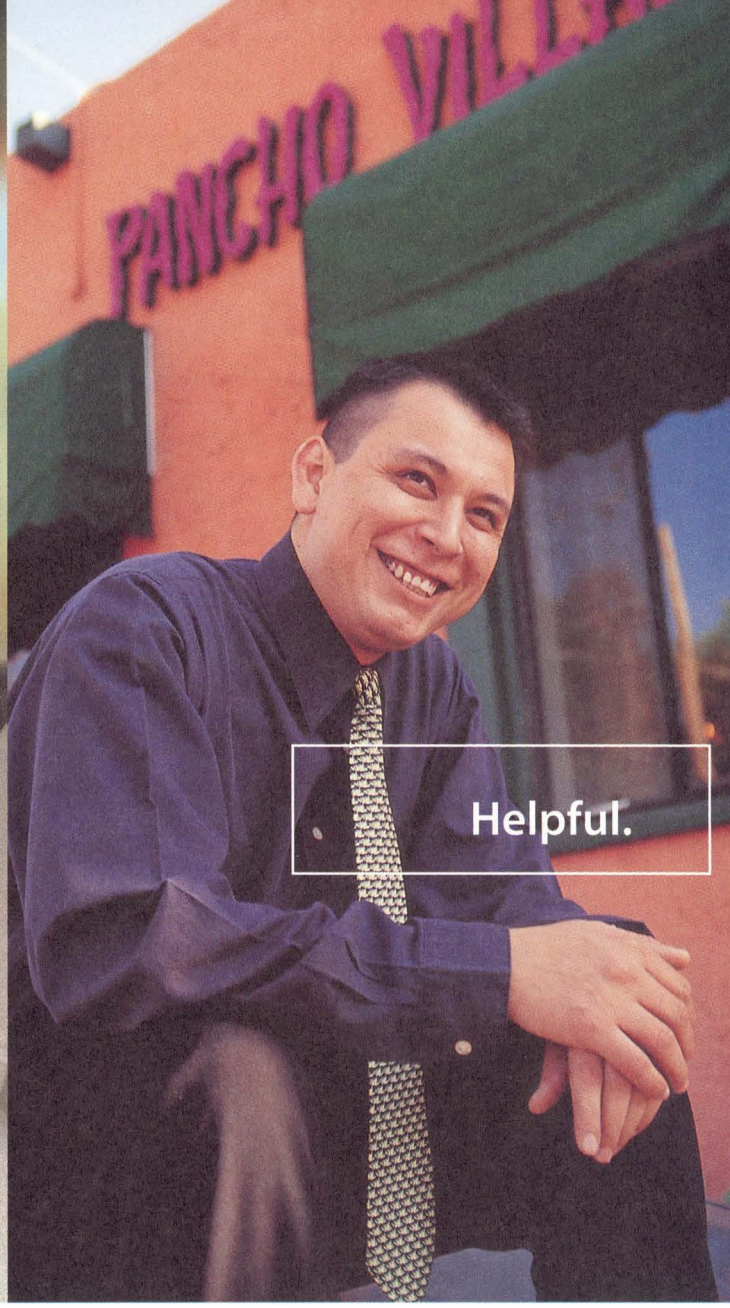
"I Typed the Documents Myself"

Relationship Manager **Elizabeth Renteria's** (right) phone rang in her Long Beach, Calif. office late in the morning. The call was urgent. A Wells Fargo customer—Pacific Air Cargo, a small, start-up carrier specializing in Hawaii-Los Angeles air freight—needed help. The company, launched earlier in the year with support from Wells Fargo Banker **Mark Casada** in Tempe, Arizona—home of Pacific Air Cargo owner Betti Ward (left)—needed bonding immediately for permission from U.S. Customs to continue its shipments. If the freight wasn't bonded in four hours, the cargo in the belly of a commercial 747 would have to be unloaded. Pacific Air needed a standby letter of credit (a promise from Wells Fargo that Pacific Air immediately could pay its insurance company for the bond). Could Wells Fargo come through? Elizabeth called team member **Brian O'Connell** in Wells Fargo HSBC Trade Bank in San Francisco at 3:30 p.m. "The clock was ticking so I dropped everything and decided to do all we could do to get the letter of credit approved and out the door as fast as possible," said Brian. "Our processing people were busy so I typed the documents myself, faxed them to the bonding company and got all the approvals. That's our job. It's the only thing we provide—service."

Driving to the Customer's Home

A Wells Fargo customer was upset. It was taking too long for Wells Fargo to verify deposits into his account. He was ready to move to a competitor. Enter Nebraska Phone Banker **Christine Fouts,** who happened to be calling selected customers nationwide as part of a concerted effort across many parts of the company. She eliminated the delays, volunteered to have all future verifications faxed directly to her and even drove to the customer's home so he could sign the corrected documents. "My job title says 'sales' but I never feel like I'm selling anything," she said. "I'm simply calling customers to help them earn more money and move into products that will better meet their long and short term financial goals. I simply help them get what they already want. That's not work, that's fun." As a result of her outstanding service, the customer bought four debit cards and took out a $200,000 home equity line of credit.





Resolving Differences

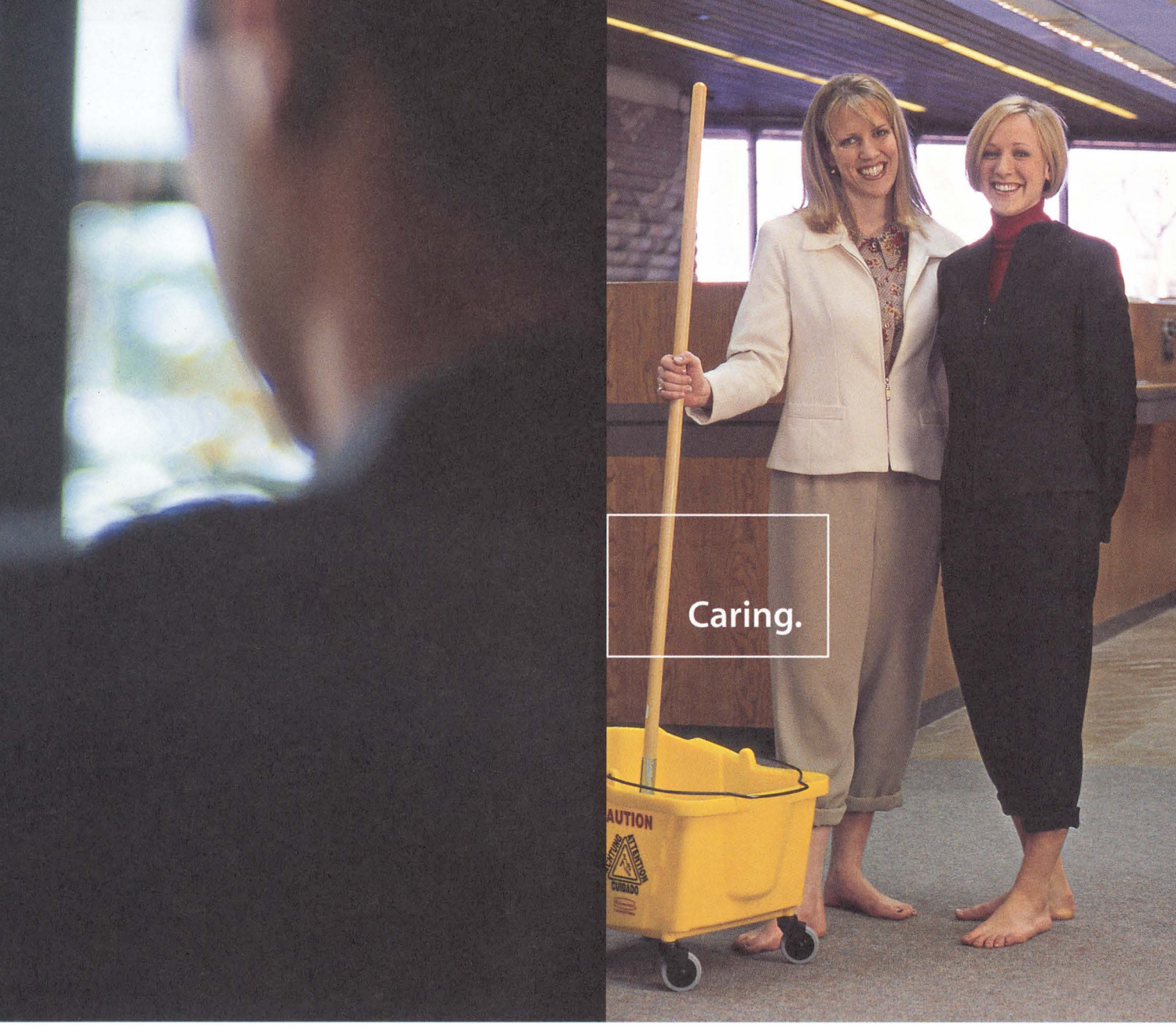
If you're a customer with a credit card problem chances are **Tony Calloway** can fix it. He does it for a living. He's a veteran of a 40-member team at Wells Fargo Card Services in Des Moines, Iowa that helps customers who have questions about their statements. They resolve 70 percent of the disputes between customers and merchants — often bringing the parties together on the phone to resolve differences. They've won Visa's service award four consecutive years for the lowest ratio of "charge backs" to merchants. He's especially proud of resolving a dispute between a Nevada customer who bought a $1,500 bed from a retailer. The bed turned out to be the wrong size, the 120-day limit had expired for a return and the merchant had no process for resolving such disputes. The retailer finally agreed to provide a credit. "I try to stay calm and patient, not interrupt, listen very closely to both parties and ask as many questions as possible," he said. "It feels good when I know I've done my best to help the customer and the merchant resolve their differences."

Building Customer Loyalty

It was late morning Friday, May 3 — eve of Cinco de Mayo weekend, the busiest of the year for many Hispanic retailers. Kelly Day, owner of Pancho Villa restaurant in Fairfax, Calif., was in a panic. She had just come into the Wells Fargo store in Mill Valley to do her banking. She mentioned to Banker **Roberto Garfias** that the credit and debit card printer at her restaurant had been out of order for two days with no hope in sight for a replacement. Roberto went to work. He called the Wells Fargo merchant card help line and found a printer. Then he jumped in his car, picked up the new printer and drove a dozen miles in Marin County to Kelly's restaurant to deliver the equipment to her in person. The restaurant had a successful weekend and its loyalty to Wells Fargo is even stronger.

He Felt at Home

A customer of a Wells Fargo competitor walked into **Chi-Hae Park's** business banking center in Tustin, Calif. in Orange County. He had, he said, been treated rudely at his own bank and was looking for help. He hated to go into banks, he said, so he did almost all his banking via ATM. Chi-Hae's team offered him coffee, helped him feel at home, discussed his financial needs and showed him how Wells Fargo could help him save time and money. Several weeks later he moved all of his business and personal accounts to Wells Fargo—including deposits of more than $400,000.



Barefoot Bankers

Business Banker **Linda Humphrey** of Highlands Ranch, Colo. worked for a year and a half to persuade a customer to move all its business to Wells Fargo including *Wells Fargo Membership* banking, a great value for the customer's employees. Linda and her team from other Wells Fargo businesses planned to meet with the customer at the bank only to find a broken water main had flooded the bank with three inches of water. Two of Linda's team members—Personal Banker **Jennifer Childrey** (left) and Sales Associate **Courtney Fey** (right)—took off their shoes and socks, rolled up their pants, waded in to get their *Wells Fargo Membership* material, then drove to the customer's business to get the papers signed. The customer? A local municipal water district.

Serving Our Communities At Wells Fargo, it's hard to tell where financial service ends and community involvement begins. We contributed more than $125 million to thousands of non-profits the past two years—an average of $170,998 a day—but we do a lot more than write checks. Our team members get involved—they're the major voice in deciding how we respond to community needs.

Coming to the USA

George Ramirez (left) came to the USA in 1991 from Honduras at age 21 for what he thought would be a three-month visit. He landed in California and soon realized that the United States offered him more than just a temporary home. "Some friends of mine were moving to Minnesota, so I decided to go with them," he said. "After all, I'd never seen snow before."

He found more than snow in Minnesota—he found the chance for a better life. Wells Fargo's Olson Highway General Educational Development (GED) Program—started 30 years ago by the former Norwest—gave him that chance. He and his wife Gail (right) attended classes together each week for about a year. They received their GED diplomas in May of 1997, and today George is going to school for law enforcement. He also is a school bus driver in Minneapolis and a salesperson at Home Depot, where Gail is a receiving administrator.

"The Olson Highway GED Program is great," he said. "It opens doors for people. It shows there are better opportunities out there."

Since 1970, the banking store at 7th and Olson Highway has hosted an evening GED program and community education classes. Wells Fargo has contributed more than $750,000 to the program, serving over 8,000 Twin Cities residents, a fourth of whom have graduated from the program. Wells Fargo pays 70 percent of the expenses, including teacher and counselor salaries, books and GED test fees.

"I've seen so many people graduate and move on to bigger things that they didn't even imagine possible," said **Jackie Elliott Anderson** (center), the store's former manager, now with Wells Fargo Private Client Services. "Each graduation ceremony makes me even prouder of the company I work for."

Skill Building.

Bringing the Web to the Neighborhood

About one of every five residents of Los Angeles County lives in poverty. They need new skills. They need jobs. The Internet can help—but how? Wells Fargo and the Community College Foundation teamed up to bring the Web to the neighborhood—launching the nation's first mobile community technology center, "eBus 1." The former public transit bus became a mobile technology center with multimedia computers and two-way satellite Internet access. It serves primarily low-to-moderate income communities throughout Los Angeles County, helping residents who don't have access to a computer or the Internet.

"As the nation's leading on-line banking provider, we want to provide Internet access to all communities, including those residents who may not own a computer," said **Lynn Pike,** regional president for Wells Fargo community banking in Los Angeles. eBus 1 travels to public libraries on Saturdays and to schools, churches, and youth and senior centers during the week. Computer trainers on the bus demonstrate how technology can create new opportunities for young and old alike.

The program for seniors includes basic computer skills, genealogy software and health services on the Internet. Adults develop computer skills for career advancement by using the Internet for job searches and English language skills. The youth program focuses on school applications and homework assistance.

Trainer Claudia Herrera, a 17-year-old high school student, received dual rewards for her eBus participation. "I learned a lot of new stuff, like how to use e-mail," she said. "Then I got to show others how to use it. We were helping people who didn't even know what to do with a mouse. It felt really good because these people needed help and I was the one to help them."

Supportive.

Child Care

"Many parents these days have to work outside the home to support their families," says Shaw Canale (second right), executive director of the Cascadia Child Care Fund. "We're trying to make it easier for those parents who have to work, including those with lower incomes." To address this growing need, Wells Fargo invested $150,000 in the Seattle, Wash. fund. Also benefiting from the Fund, Curiosity Corner School led by Carol Dodson (second left) and Kathryn Wahlborg (right).

The Wells Fargo-supported program helps unemployed and under-employed parents find jobs. "We're not only trying to increase the availability of child care facilities," says Community Development Manager **Grace Jeremia** (left). "We want to create jobs."

Beyond Housing

In Bryan-College Station, Texas, Wells Fargo team members helped build a home for a low-income family with six small children. The team didn't stop there. Partnering with Habitat for Humanity and Texas A&M University volunteers, they fenced in the back yard for the family's children. Then they created a program of their own. After building homes—they've completed seven, so far—they continue to support the families, financially and emotionally with "advocates," Wells Fargo team members who stay in touch with the families year-round.

"After building our first home we thought, 'Hey, why stop here? They're going to need more help than this,'" said **Mervin Peters,** manager of the Bryan-College Station community banking store. "We wanted to stay a part of each family's life—provide them with friendship as well as foundation."

Through the advocate program, each family receives a Thanksgiving turkey, $250 for back-to-school materials and clothing, $250 for yard materials in the spring, and $250 for Christmas gifts. The advocates take the parents shopping for their kids and then take the kids shopping for their parents.

Wells Fargo's **Anna Ruiz** (center), the Martinez family advocate, looks forward to her annual Christmas shopping trip with the Martinez children (above). "They're just so excited by the time I pick them up," she said. "It's hard not to love doing this."

She calls them at least once each month just to say hello and see what's new. "When I was asked to be an advocate for the Martinez family, I wasn't sure what to expect. But over the years I've experienced the rewarding feeling that comes from helping people in need," she said. "It's great to bring a smile to someone's face."

Opening Doors.

Financial Literacy

Bosnian refugee Marko Milisav came to the United States to build a promising future for his three children. When he arrived in Milwaukee, he found a program, supported by Wells Fargo, that helps low-income individuals and refugees save to buy a home, a car or pay for education.

"Individual development accounts give refugees and low-income participants resources—money and training—to become self sufficient," said **Colleen Bollman** (left), manager of the 100 East banking store in Milwaukee. "We're just trying to prepare them for a very successful financial future." **Miguel Pasqueira** (center), Wells Fargo Home Mortgage, and **Florence Wilkerson** (right), Wells Fargo Bank Wisconsin, help her serve the program's clients.

Wells Fargo holds the funds in individual accounts and also provides financial literacy training. Then, the funds saved are matched dollar-for-dollar by the federal government. Milisav is saving to buy his first home and is already half-way there.

"If they achieve their dreams, everyone benefits—including Wells Fargo," said Bollman. "If all goes well, they'll come to us for investment services and mortgage loans."

The Businesses of Wells Fargo We compete in virtually every segment of the financial services industry and we're market leaders in many of them. Here's how one of North America's most diverse financial services companies fits together.

Community Banking

USA's most extensive banking franchise, serving 11 million households in 23 states

- **2000 net income:** $2.91 billion
- **Banking stores:** 3,092 (including 836 supermarket in-store)
- **Credit card holders:** 4.5 million
- **Debit card holders:** 8.9 million
- **Phone Bank℠ centers:** 220 million customer inquiries

John A. Berg
Group EVP

North Central Banking Group

Alaska, Illinois, Indiana, Iowa, Michigan, Minnesota, Montana, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin

- **Assets:** $37.2 billion
- **Households:** 1.7 million
- **Stores:** 569
- **Team members:** 11,606

James R. Campbell
Group EVP, Chairman, Wells Fargo Bank Minnesota, N.A.

Minnesota Banking and Investments Group

- **Correspondent Banking:** 3,000 relationships in 40 states, USA's 3rd largest
- **Peregrine Capital Management, Inc.:** $9 billion in managed assets
- **Lowry Hill Investment Advisors:** 304 family clients with an average $22 million each in investable assets

John G. Stumpf
Group EVP

Western Banking Group

Ten of the USA's 20 fastest growing states: Arizona, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah, Washington, Wyoming

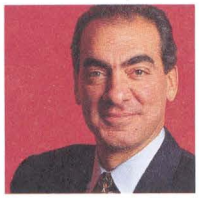
- **Assets:** $75.6 billion
- **Households:** 4.8 million
- **Stores:** 1,650
- **Team members:** 18,000

Carrie L. Tolstedt
Group EVP

California Banking Group

World's 6th largest economy, USA's largest housing market, small business market and farm economy, home to one of every nine Americans

- **Assets:** $66.1 billion
- **Households:** 3.5 million
- **Stores:** 909
- **Team members:** 13,142



Dennis J. Mooradian
Group EVP

Private Client Services Group

Oldest, largest trust business in Western USA

- **Total assets under management:** $138 billion
- **Personal Trust:** 580 trust officers managing $90 billion in personal trust and custody
- **Private Asset Management:** 210 portfolio managers managing $66 billion in client assets
- **Private Banking:** 150 bankers
- **Brokerage:** 1,500 financial consultants providing full service brokerage
- **Team members:** 5,000
- **Clients:** 500,000+

Michael R. James
Group EVP

Business Banking/Consumer Lending Group

National Small Business Lending, Merchant Card Services, Payroll, SBA Lending

- **USA's #1 small business lender**
- **USA's #3 largest auto financer:** $17 billion in assets; 10,000 dealer clients nationwide
- **USA's #1 student lender among all banks:** $8 billion loans outstanding; 700,000 customers
- **Credit Card/Debit Card**
- **Business Direct**

Clyde W. Ostler
Group EVP

Internet Services Group (wellsfargo.com)

USA's #1 market share of active online users among all banks • First to provide single online source for all commercial banking needs • First major financial services company to launch Internet banking services

- **Retail banking customers:** 2.5 million, up 58%
- **Small business customers:** 88,000, up 83 %
- **Internet credit card transactions:** $2 billion, up 100%
- **Commercial Electronic Office customers:** 2,248 corporations, up 343%
- **Discount trading customers:** 120,000, up 128%
- **Team members:** 1,600
- **Customer service centers:** California, Minnesota, Texas, Utah

Doreen Woo Ho
President

Home Equity

Among top 10 lenders in most Wells Fargo banking states #1 in three states, #2 in six states

- **Portfolio:** $18.4 billion, up 40%
- **USA's #2 largest home equity lender**
- **USA's #1 Internet home equity lender**
- **Customers:** 668,000

Corporate Trust Services

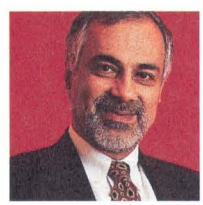
- **Rated North America's #1 trustee**
- **Trustee for privately-placed, asset-backed securities**
- **7,968 issues worth $370 billion in debt**

John E. Lindahl
Managing Partner

Norwest Equity Partners (nep.com)

One of USA's oldest, largest private equity investment firms • Invests in management buyouts, media and communication services

- **Investments in 2000:** $400 million
- **Capital commitments:** $1.5+ billion
- **Norwest Mezzanine Partners I, LP:** capitalized at $250 million
- **Norwest Equity Partners VII, LP:** capitalized at $800 million
- **Offices:** Los Angeles, Minneapolis



Promod L. Haque
Managing Partner

Norwest Venture Partners (norwestvp.com)

Venture capital for early stage emerging companies: information technology including software, communication systems and services

- **Investments in 2000:** $497 million
- **Capital commitments:** $1.2+ billion
- **Norwest Venture Partners VIII, LP:** capitalized at $300 million
- **Offices:** Palo Alto, Calif. and Wellesley, Mass.

Mark C. Oman
Group EVP

Wells Fargo Home Mortgage

USA's #1 mortgage originator and servicer

- **2000 net income:** $310 million
- **2000 originations:** $76 billion
- **2000 servicing portfolio:** $450 billion
- **USA'S #1 lender to people of color**
- **USA's #1 lender to new home builders**
- **USA's #2 lender to low-moderate income homebuyers**
- **Among top 10 lenders in 48 of 50 states; #1 in eight states; among top five in 39 states**
- **Team members:** 13,000
- **Customers:** 4.1 million
- **Stores:** 623 and presence in 663 Wells Fargo banking stores

David A. Hoyt
Group EVP

Wholesale Banking Group

One of USA's largest middle market, large corporate and commercial real estate financial services providers

- **Net income:** $892 million
- **Team members:** 8,858
- **Customers:** 59,000
- **Offices:** 292
- **Eastdil:** USA's first, largest real estate investment bank
- **Asset-Based Lending:** One of USA's top 3 bank-owned asset-based lenders
- **International:** Trade finance and foreign exchange
- **Institutional Investment Services:** $100 billion in assets (Wells Capital Management); $305 billion in assets in institutional trust; $69 billion in assets in mutual funds
- **Capital Markets:** Full range of debt and equity products/services
- **Real Estate Group:** USA's premier lender to major developers
- **Wells Fargo Insurance:** USA's largest insurance agency owned by a bank holding company; #2 largest crop insurance agency
- **Treasury Management:** USA's #2 largest automated clearinghouse (direct deposit) provider

Paul M. Watson
Vice Chairman,
Wells Fargo Bank, N.A.

Commercial Banking

- **Customers:** 13,600 middle market companies (annual sales of $10-$250 million)
- **Team members:** 2,300
- **Regional offices:** 60

U.S. Corporate Banking

- **Customers:** 1,400 corporate, government customers ($250+ million in annual revenue)
- **Team members:** 662

Daniel W. Porter
Group EVP

Wells Fargo Financial

Installment loans, home equity, revolving lines of credit, credit card, auto financing, purchase of sales finance contracts, private label and co-branded credit cards, leasing, receivables financing

- **2000 net income:** $258 million
- **Stores:** 1,259
- **Receivables:** $14.1 billion
- **Team members:** 11,400
- **Customers:** 4.5 million
- **Wells Fargo Financial:** 826 stores, 47 states, Pacific Islands
- **Trans Canada Credit:** 160 stores, all 10 provinces
- **Island Finance:** 85 stores in Puerto Rico, the Caribbean and Latin America
- **Wells Fargo Financial Acceptance (auto finance):** 184 stores and dealer service centers, 38 states
- **Wells Fargo Financial Bank:** 560,000 credit card accounts
- **Wells Fargo Financial Retail Services:** Private label credit cards for major retailers
- **Wells Fargo Financial Leasing:** Leasing services for businesses

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(Food distribution, retailing)

Paul Hazen
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San Francisco, Calif.

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North Central Banking*

Leslie S. Biller, Vice Chairman, COO*

Patricia R. Callahan, EVP,
Human Resources*

James R. Campbell, Group EVP,
Minnesota Banking and Investments*

Terri A. Dial, Group EVP*

C. Webb Edwards, EVP,
Technology and Operations*

Saturnino S. Fanlo, SVP, Treasurer

John E. Ganoe, EVP,
Corporate Development

Cynthia J. Gray, EVP,
Marketing

Lawrence P. Haeg, EVP,
Corporate Communications

Laurel A. Holschuh, SVP,
Corporate Secretary

David A. Hoyt, Group EVP,
Wholesale Banking*

Michael R. James, Group EVP,
Business Banking and
Consumer Lending*

Ross J. Kari, EVP, CFO*

Richard M. Kovacevich
President, CEO*

Randall J. Lewis, EVP, Chief Auditor

Ely L. Licht, EVP, Chief Credit Officer*

Dennis J. Mooradian, Group EVP,
Private Client Services*

Mark C. Oman, Group EVP,
Mortgage and Home Equity*

Clyde W. Ostler, Group EVP,
Internet Services*

Daniel W. Porter, Group EVP,
Wells Fargo Financial*

Les L. Quock, SVP, Controller*

Eric D. Shand, Chief Loan Examiner

Robert S. Strickland, SVP,
Investor Relations

Stanley S. Stroup, EVP, General Counsel,
Government Relations *

John G. Stumpf, Group EVP,
Western Banking*

Carrie L. Tolstedt, Group EVP,
California Banking*

* Officers designated as "executive officers" according to
Securities and Exchange Commission rules

Senior Officers

California Banking Group

Group Head
Carrie L. Tolstedt

Regional Presidents
Colleen M. Anderson, California Business Banking
Pamela M. Conboy, Northern California
Lynn A. Pike, Greater Los Angeles
William J. Dewhurst, Central California
Byron A. Scordelis, Bay Area
Robert D. Worth, Southern California

Market Presidents
Daniel K. Bailey, North Valley
Shelley L. Benson, Downtown/West Los Angeles
Michael F. Billeci, San Jose
Darrell R. Brown, San Fernando Valley
Robert Ceccato, Stockton
Robert J. Crouch, Capital City
Diane P. De Rousseau, San Diego
Tony DeRose, Visalia
David Galasso, Town and Country
Leo Gonzalez, South Los Angeles/South Bay
Steve R. Hafen, Pacific Coast
Erica Huntzinger, Central Coast
Susan C. Lewis, Monterey
Bonnie Martinez, Vineyards
Joel Massey, I80 Corridor
Herbert H. Myers, San Francisco Metro
Sandra G. Raco, Fresno
Sandee Shuman, South Valley
Craig Van Selow, Contra Costa
Timothy Silva, East Bay
Lisa J. Stevens, San Francisco
Kim P. Young, Orange County Coastal

Robert Chlebowski, Distribution Strategies Group

Western Banking Group

Group Head
John G. Stumpf

Regional Presidents
David E. Bailey, Colorado/Wyoming
Robert W. Byrne, Washington
Chip Carlisle, Texas Metro
Nathan E. Christian, Texas Border
Timothy J. Coughlon, Texas/New Mexico
Thomas W. Honig, Colorado/Wyoming
William R. Goertz, Greater Texas
J. Patrick McMurray, Idaho
Scott Nelson, Utah
George Passadore, Oregon
Laura A. Schulte, Nevada
Gerrit van Huisstede, Arizona
Larry D. Willard, New Mexico/West Texas

Regional Managers
Richard E. Burciaga, Austin
Kirk V. Clausen, Northern Nevada
Johnny E. Fanning, Greater New Mexico/West Texas
Michael Foglia, Western Washington
John T. Gavin, Dallas/Fort Worth
Glenn V. Godkin, Houston
Robert A. Hatch, Utah
Robert A. Jung II, Central New Mexico
Louann C. Krueger, Idaho
Matthew J. Lynett, Metro Colorado–Retail
Donald M. Marshall, Metro Colorado–Business
Michael J. Matthews, Wyoming
Dean A. Rennell, Phoenix Business Banking
Donald R. Sall, Southern Colorado
Kathleen Soderberg, Metro Phoenix
Janice J. Wilson, Eastern Washington
Michael R. Whalen, Arizona–Real Estate
Greg A. Winegardner, NW Colorado
Patrick G. Yalung, Greater Arizona
Kenneth W. Zelie, Northern Colorado/Cheyenne, Wyoming

North Central Banking Group

Group Head
John A. Berg

Regional Presidents
Terry D. Baloun, South Dakota/SW Minnesota
Kirk E. Dean, North Dakota/NW Minnesota
Joy N. Ott, Montana
Jon A. Campbell, Minnesota
Marilyn J. Dahl, Twin Cities Retail Banking
Norbert D. Harrington, Greater Minnesota
Alan V. Johnson, Indiana/Ohio
Lynn A. Horak, Iowa
J. Scott Johnson, Iowa
J. Lanier Little, Illinois/Michigan/Wisconsin
Howard J. Cohodas, Upper Peninsula
Judith A. Owen, Nebraska
Edward B. Rasmuson, Alaska
Richard Strutz, Alaska

Minnesota Banking and Investments Group

James R. Campbell

Peter E. Glanville, Lowry Hill Investment Advisors, Inc.
Thomas P. Wiklund, Correspondent Banking
Robert B. Mersky, Peregrine Capital Management, Inc.

Business Banking and Consumer Lending Group

Group Head
Michael R. James

Michael W. Azevedo, Business Support Services
Marc L. Bernstein, Business Direct
Robert L. Brown, Payroll
Charles D. Drucker, Merchant Services
Jerry E. Gray, SBA Lending
Rebecca Macieira-Kaufmann, Small Business Marketing
Kevin A. Rhein, Consumer Lending and Card Services
Richard T. Schliesmann, Diversified Financial Group
Jon A. Veenis, Education Services

Internet Services Group

Group Head
Clyde W. Ostler

Sona Chawla, Enterprise Internet Services
George H. Cheng, Internet Technology
Stephen M. Ellis, Wholesale Internet Solutions
Shelley Freeman, Investment Internet Services
Gailyn A. Johnson, Online Customer Service
Avid Modjtabai, Consumer Internet Services
Debra B. Rossi, Business Internet Services

Mortgage, Home Equity and Corporate Trust Group

Group Head
Mark C. Oman

Wells Fargo Home Mortgage, Inc.
Peter J. Wissinger, President
Andre Brooks, Emerging Markets
Geoffrey H. Dreyer, Risk Assessment
Joy Griffiths, Marketing and Operations
Michael J. Heid, Loan Servicing
Cara K. Heiden, National Consumer Lending Sales
Ben C. Smith, Institutional Lending/Cross-Sell/Home Services

Home Equity Lending
Doreen Woo Ho, President
John W. Barton, Community Banking
Robert J. Frame, Delivery and Fulfillment
Jeffrey L. Moering, Strategic Risk Management
Kathleen L. Vaughan, Mortgage Resources/Equity Direct
Colin D. Walsh, Internet/Private Label

Corporate Trust Services
Brian Bartlett, Business Manager

Private Client Services

Group Head
Dennis J. Mooradian

Senior Managing Directors
Michael J. Conway, Western/Southern Division
Charles W. Daggs III, California Division
John R. Farrish, Central Division

Managing Directors
Gregory Bronstein, Brokerage
Lance P. Fox, Private Banking
Timothy J. Leach, Chief Investment Officer
David J. Pittman, Personal Trust
David K. Skolnik, Sales and Marketing

Wholesale Banking

Group Head
David A. Hoyt

Commercial and U.S. Corporate Banking Groups
Paul M. Watson

Iris S. Chan, Northern California/Pacific Northwest
Joann N. Bertges, Nevada/Central California
Robert A. Chereck, Arizona, Texas, New Mexico
Pamela A. Clifford, Wholesale Customer Service/Implementation
Albert F. (Rick) Ehrke, Southern California
Richard P. Ferris, Corporate Banking, Treasury Management Sales, Shareowner Services
Mark D. Howell, Utah/Idaho/Eastern Washington-Oregon
Catherine G. Kulkin, Wholesale Loan Services
Michael J. Loughlin, Senior Credit Officer, Commercial/Corporate
Perry G. Pelos, Midwest
Sanjiv Sanghvi, Cash Management Product Management
J. Gregory Seibly, Greater Los Angeles
Gerald B. Stenson, Minnesota

Capital Markets Group
Timothy J. Sloan

Stephen R. Ashley, Leveraged Finance, Mezzanine, Communications Lending
J. Edward Blakey, Commercial Mortgage Origination, Servicing
Ronald A. Caton, Wholesale University
Saturnino S. Fanlo, High Yield Securities, Financial Products, Rate Risk Management
Mark L. Myers, Real Estate Merchant Banking
J. Michael Johnson, Structured Finance, Distribution, Equity Funds
James R. Renner, President, Wells Fargo Equipment Finance, Inc.
Peter J. Roos, Senior Credit Officer

Real Estate Group
A. Larry Chapman

Nancy Altobello, Construction Lending Advisory Group
Shirley O. Griffin, Loan Administration
Christopher J. Jordan, Mid-Atlantic/New England
Robin W. Michel, Northern California/Northwest
James H. Muir, Eastern U.S./Midwest
Stephen P. Prinz, Central U.S./Texas
Timothy W. Washburn, Southern California/Southwest

Thomas W. Davis, Senior Credit Officer, Real Estate

International Group and Insurance Services
David J. Zuercher

Peter P. Connolly, Foreign Exchange/International Financial Services
Tracey B. Warson, Risk Management Sales
Timothy King, President & CEO, Wells Fargo Insurance, Inc.
Michael E. Conneely, President, Rural Community Insurance Services
David J. Weber, President & CEO, Wells Fargo HSBC Trade Bank, N.A.

Asset-Based Lending Group
John F. Nickoll, Chairman and CEO
Peter Schwab, Chairman, CEO, Foothill Capital Corporation
Henry K. Jordan, President
Thomas Pizzo, Century Business Credit
Martin J. McKinley, President, Wells Fargo Business Credit, Inc.

Eastdil Realty Company, LLC
Benjamin V. Lambert, Chairman
Roy March, President

Donald E. Dana, Properties

Institutional Investment Services
Michael J. Neidermeyer
Robert W. Bissell, Wells Capital Management Incorporated
James W. Paulsen, Wells Capital Management Incorporated
Michael J. Hogan, Mutual Funds
P. Jay Kiedrowski, Institutional Trust Group
John S. McCune, Institutional Brokerage

Norwest Equity Partners

John E. Lindahl, Managing Partner

Norwest Venture Partners

Promod Haque, Managing Partner

Consumer Deposits Group

Leslie L. Altick

P. Andrew Will, High Value Deposits
Kevin Moss, Consumer Risk Management
Kenneth A. Zimmerman, Mass Market Deposits

Wells Fargo Financial

Group Head
Daniel W. Porter

Thomas P. Shippee, President & COO

Alan Blenner, Chief Credit Officer
Ronald L. Lottes, U.S. Consumer
Anthony M. Padinha, Chief Technology Officer
John W. Sondereker, Group Executive
Dennis E. Young, CFO
Ben G. Aeilts, Division Manager, U.S. Consumer
Rex. J. Ellison, Marketing
James R. Fisher, U.S. Auto Lending
James E. Goodson, Human Resources
Tammeria K. Hawks, Compliance & Training
Greg M. Janasko, Group Executive
David R. Kvamme, Division Manager, U.S. Consumer
Curtis H. Martin, Division Manager, U.S. Consumer
Michael J. Matera, Treasury & Finance
Michael R. McCoy, Group Executive
Patricia J. McFarland, General Counsel & Secretary
Oriol Segarra, Latin America
Eric T. Torkelson, Controller
John E. Van Leeuwen, Group Executive, Canada

Technology and Operations Group

C. Webb Edwards

Technology Services
Michael Caughlin, Customer Service Delivery
Kevin B. Dabney, Enterprise Technology and Transition
Victor K. Nichols, Application Development
Dale A. Pearce, Chief Financial Officer
Diana M. Starcher, Phone Bank
Linda M. Tanner, Human Resources

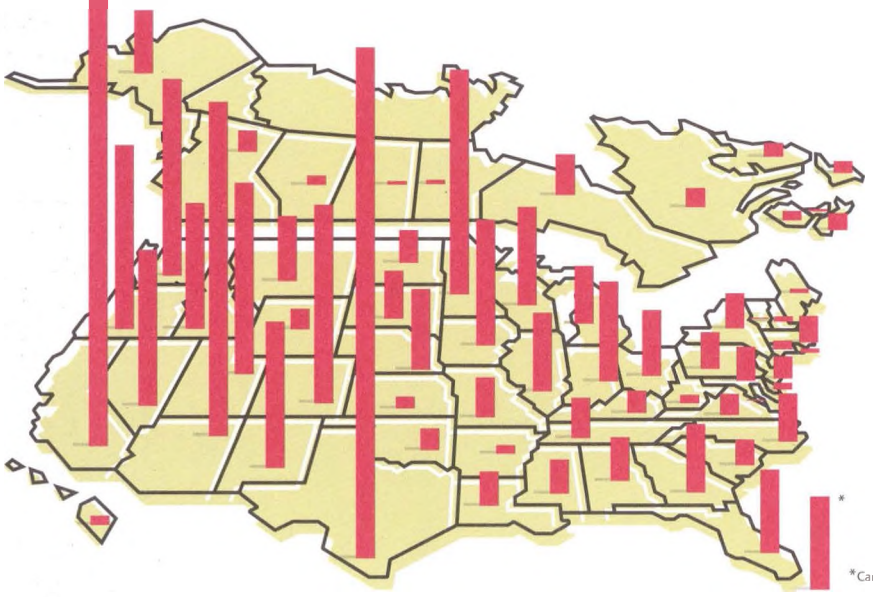
Operations Services
Terry L. Allen, Technology Infrastructure
Joseph Ervin, Wholesale Services
Mike D. Noble, Retail and Payment Services

Marketing

Cynthia J. Gray

Karen M. Alnes, Privacy Policies
Shirley A. Brinks, Merger Integration
Timothy J. Collins, Brand Execution
Melinda M. Denton, Market Research
Elizabeth Dobel, Advertising and Brand Strategy
Jay H. Freeman, Sales and Customer Development

Service: State-by-State We serve more than 19 million customers across six North American time zones — America's most extensive financial services store network.

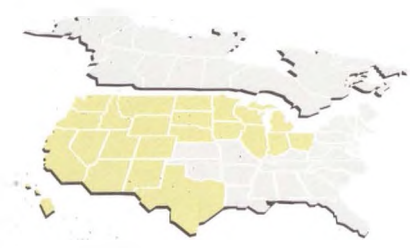


*Caribbean and elsewhere internationally

	Alabama	47	Missouri	47
	Alaska	70	Montana	52
	Arizona	308	Nebraska	70
	Arkansas	10	Nevada	163
	California	1,216	New Hampshire	6
	Colorado	198	New Jersey	26
	Connecticut	10	New Mexico	158
	Delaware	8	New York	40
	District of Columbia	1	North Carolina	56
			North Dakota	38
	Florida	88	Ohio	76
	Georgia	70	Oklahoma	25
	Hawaii	11	Oregon	185
	Idaho	123	Pennsylvania	43
	Illinois	87	Rhode Island	5
	Indiana	89	South Carolina	30
	Iowa	77	South Dakota	56
	Kansas	14	Tennessee	47
	Kentucky	26	Texas	576
	Louisiana	40	Utah	183
	Maine	5	Vermont	1
	Maryland	40	Virginia	25
	Massachusetts	31	Washington	204
	Michigan	60	West Virginia	10
	Minnesota	245	Wisconsin	102
	Mississippi	40	Wyoming	18
Canada	Alberta	11	Ontario	49
	British Columbia	21	Prince Edward Island	2
	Manitoba	5		
	New Brunswick	12	Quebec	24
	Newfoundland	15	Saskatchewan	4
	Nova Scotia	18		
International	Argentina	1	Panama	17
	Aruba	3	Puerto Rico	56
	Brazil	1	Saipan	1
	Guam	3	Taiwan	2
	Hong Kong	2	Virgin Islands	8
	Netherlands Antilles	8		

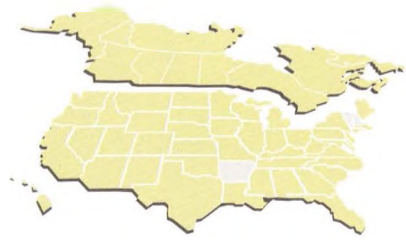
5,419

Wells Fargo Banks



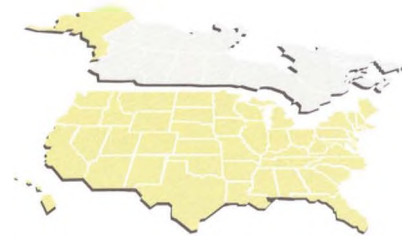
The USA's most extensive banking franchise, from Van Wert, Ohio to Bethel, Alaska, our banking franchise includes 12 of the nation's 20 fastest growing states.

Wells Fargo Financial



The store network of Wells Fargo Financial (consumer finance) stretches from Saipan in the Pacific through Canada, across the USA, the Caribbean and into Latin America.

Wells Fargo Home Mortgage



Through its own stores and its presence in our banking stores, Wells Fargo Home Mortgage has the USA's most extensive retail mortgage franchise.

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Overview

Wells Fargo & Company is a $272 billion diversified financial services company providing banking, mortgage and consumer finance through stores, the Internet and other distribution channels throughout North America, including all 50 states, and elsewhere internationally. It ranks fourth in assets at December 31, 2000 among U.S. bank holding companies. In this Annual Report, Wells Fargo & Company and Subsidiaries is referred to as the Company and Wells Fargo & Company alone is referred to as the Parent.

On October 25, 2000, the merger involving the Company and First Security Corporation (the FSCO Merger) was completed, with First Security Corporation (First Security or FSCO) surviving as a wholly owned subsidiary of the Company. On November 2, 1998, the merger involving Norwest Corporation and the former Wells Fargo & Company (the WFC Merger) was completed. The FSCO Merger and the WFC Merger were accounted for under the pooling-of-interests method of accounting and, accordingly, the information included in the financial review presents the combined results as if the mergers had been in effect for all periods presented.

Certain amounts in the financial review for prior years have been reclassified to conform with the current financial statement presentation.

Net income in 2000 was $4,026 million, which included a loss of $220 million (after tax) for First Security for the first three quarters of 2000 and First Security related integration and conversion costs of $110 million (after tax) in the fourth quarter, compared with $4,012 million in 1999. Diluted earnings per common share were $2.33, compared with $2.29 in 1999, an increase of 2%.

Return on average assets (ROA) was 1.61% and return on average common equity (ROE) was 16.31% in 2000, compared with 1.78% and 17.55%, respectively, in 1999.

Diluted earnings before the amortization of goodwill and nonqualifying core deposit intangible ("cash" earnings) were $2.70 per share in 2000, compared with $2.62 per share in 1999. On the same basis, ROA was 1.94% and ROE was 30.89% in 2000, compared with 2.13% and 32.85%, respectively, in 1999.

Net interest income on a taxable-equivalent basis was $10,930 million in 2000, compared with $10,185 million a year ago. The Company's net interest margin was 5.35% for 2000, compared with 5.47% in 1999.

Noninterest income increased to $8,843 million in 2000 from $7,975 million in 1999, an increase of 11%, largely due to higher net venture capital gains, increased trust and investment fees and service charges on deposit accounts, primarily offset by net losses on sales of securities incurred in restructuring the Company's securities available for sale portfolio and net losses on sales of loans and securitizations associated with First Security prior to the FSCO Merger.

Noninterest expense totaled $11,830 million in 2000, compared with $10,637 million in 1999, an increase of 11%. The increase was primarily due to integration and conversion costs related to the WFC Merger, the FSCO Merger and other acquisitions.

The provision for loan losses was $1,329 million in 2000, compared with $1,104 million in 1999. During 2000, net charge-offs were $1,219 million, or .84% of average total loans, compared with $1,115 million, or .90%, during 1999. The allowance for loan losses was $3,719 million, or 2.31% of total loans, at December 31, 2000, compared with $3,344 million, or 2.51%, at December 31, 1999.

At December 31, 2000, total nonaccrual and restructured loans were $1,195 million, or .7% of total loans, compared with $728 million, or .5%, at December 31, 1999. Foreclosed assets were $128 million at December 31, 2000, compared with $161 million at December 31, 1999.

The ratio of common stockholders' equity to total assets was 9.63% at December 31, 2000 and 9.79% at December 31, 1999. The Company's total risk-based capital (RBC) ratio at December 31, 2000 was 10.43% and its Tier 1 RBC ratio was 7.29%, exceeding the minimum regulatory guidelines of 8% and 4%, respectively, for bank holding companies. The Company's RBC ratios at December 31, 1999 were 10.93% and 8.00%, respectively. The Company's leverage ratios were 6.49% and 6.76% at December 31, 2000 and 1999, respectively, exceeding the minimum regulatory guideline of 3% for bank holding companies.

Recent Accounting Standards

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133 (FAS 133), *Accounting for Derivative Instruments and Hedging Activities*. In July 1999, the FASB issued Statement No. 137, *Deferral of the Effective Date of FASB Statement No. 133*, which deferred the effective date of FAS 133 to no later than January 1, 2001 for the Company's financial statements. In June 2000, the FASB issued Statement No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, an amendment of FASB Statement No. 133. FAS 133 requires companies to record derivatives on the balance sheet at fair value. Changes in the fair values of those derivatives would be reported in earnings or other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes between the fair value of assets or liabilities or cash flows from forecasted transactions and the hedging instrument.

The Company adopted FAS 133 on January 1, 2001. The effect on net income from the adoption of FAS 133 was an increase of $13 million (after tax). In accordance with the transition provisions of FAS 133, the Company recorded a transition adjustment of $71 million, net of tax, (increase in equity) in other comprehensive income in a manner similar to a cumulative effect of a change in accounting principle. The transition adjustment was the initial amount necessary to adjust the carrying values of certain derivative instruments (that qualified as cash flow hedges) to fair value to the extent that the related hedged transactions had not yet been recognized.

In September 2000, the FASB issued Statement No. 140 (FAS 140), *Accounting for the Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, which replaces FAS 125 (of the same title). FAS 140 revises certain standards in the accounting for securitizations and other transfers of financial assets and collateral, and requires some disclosures relating to securitization transactions and collateral, but it carries over most of FAS 125's provisions. The collateral and disclosure provisions of FAS 140 are effective for year-end 2000 financial statements. The other provisions of this Statement are effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001; the Company does not expect that the impact of the revised provisions will have a material effect on the Company's financial results.

Table 1: Ratios and Per Common Share Data

($ in millions, except per share amounts)	Year ended December 31, 2000	1999	1998
PROFITABILITY RATIOS			
Net income to average total assets (ROA)	**1.61%**	1.78%	1.06%
Net income applicable to common stock to average common stockholders' equity (ROE)	**16.31**	17.55	10.26
Net income to average stockholders' equity	**16.20**	17.35	10.20
EFFICIENCY RATIO (1)	**60.0%**	58.8%	68.2%
NET INCOME AND RATIOS EXCLUDING GOODWILL AND NONQUALIFYING CORE DEPOSIT INTANGIBLE (CDI) AMORTIZATION AND BALANCES ("CASH") (2)			
Net income applicable to common stock	**$4,646**	$4,551	$2,716
Earnings per common share	**2.73**	2.66	1.61
Diluted earnings per common share	**2.70**	2.62	1.59
ROA	**1.94%**	2.13%	1.39%
ROE	**30.89**	32.85	21.90
Efficiency ratio	**56.5**	55.2	64.3
CAPITAL RATIOS			
At year end:			
Common stockholders' equity to assets	**9.63%**	9.79%	9.76%
Stockholders' equity to assets	**9.72**	9.90	9.96
Risk-based capital (3)			
Tier 1 capital	**7.29**	8.00	7.99
Total capital	**10.43**	10.93	10.78
Leverage (3)	**6.49**	6.76	6.58
Average balances:			
Common stockholders' equity to assets	**9.83**	10.07	10.12
Stockholders' equity to assets	**9.93**	10.27	10.35
PER COMMON SHARE DATA			
Dividend payout (4)	**38.14%**	33.83%	54.81%
Book value	**$15.29**	$13.91	$12.79
Market prices (5):			
High	**$56.38**	$49.94	$43.88
Low	**31.00**	32.13	27.50
Year end	**55.69**	40.44	39.94

(1) The efficiency ratio is defined as noninterest expense divided by total revenue (net interest income and noninterest income).
(2) Nonqualifying core deposit intangible (acquired after regulatory rule changes in 1992) amortization and average balance excluded from these calculations are, with the exception of the efficiency and ROA ratios, net of applicable taxes. The pretax amount for the average balance of nonqualifying CDI was $1,182 million for the year ended December 31, 2000. The after-tax amounts for the amortization and average balance of nonqualifying CDI were $107 million and $733 million, respectively, for the year ended December 31, 2000. Goodwill amortization and average balance (which are not tax effected) were $530 million and $8,811 million, respectively, for the year ended December 31, 2000. See page 44 for additional information.
(3) See Note 22 to Financial Statements for additional information.
(4) Dividends declared per common share as a percentage of earnings per common share.
(5) Based on daily prices reported on the New York Stock Exchange Composite Transaction Reporting System.

Table 2: Six-Year Summary of Selected Financial Data

(in millions, except per share amounts)	2000	1999	1998	1997	1996	1995	% Change 2000/ 1999	Five-year compound growth rate
INCOME STATEMENT								
Net interest income	**$ 10,865**	$ 10,116	$ 9,673	$ 9,258	$ 8,776	$ 6,427	**7 %**	**11%**
Provision for loan losses	**1,329**	1,104	1,617	1,203	541	335	**20**	**32**
Noninterest income	**8,843**	7,975	6,920	6,046	5,075	3,450	**11**	**21**
Noninterest expense	**11,830**	10,637	11,311	9,580	9,256	6,143	**11**	**14**
Net income	**4,026**	4,012	2,191	2,712	2,411	2,114	**—**	**14**
Earnings per common share	**$ 2.36**	$ 2.32	$ 1.28	$ 1.57	$ 1.44	$ 1.68	**2**	**7**
Diluted earnings per common share	**2.33**	2.29	1.26	1.55	1.42	1.64	**2**	**7**
Dividends declared per common share	**.90**	.785	.70	.615	.525	.45	**15**	**15**
BALANCE SHEET (at year end)								
Securities available for sale	**$ 38,655**	$ 43,911	$ 36,660	$ 32,151	$ 33,077	$ 26,897	**(12)%**	**8%**
Loans	**161,124**	133,004	119,662	116,435	115,119	79,126	**21**	**15**
Allowance for loan losses	**3,719**	3,344	3,307	3,220	3,202	2,846	**11**	**5**
Goodwill	**9,303**	8,046	7,889	8,237	8,307	1,365	**16**	**47**
Assets	**272,426**	241,053	224,135	203,819	204,075	135,716	**13**	**15**
Core deposits	**156,710**	138,247	144,179	133,051	137,409	85,801	**13**	**13**
Long-term debt	**32,046**	26,866	22,662	18,820	18,936	17,447	**19**	**13**
Guaranteed preferred beneficial interests in Company's subordinated debentures	**935**	935	935	1,449	1,300	—	**—**	**—**
Common stockholders' equity	**26,221**	23,600	21,869	20,700	20,466	9,518	**11**	**22**
Stockholders' equity	**26,488**	23,871	22,332	21,164	21,256	10,310	**11**	**21**

Factors That May Affect Future Results

We may make forward-looking statements in this report and in other reports and proxy statements filed with the Securities and Exchange Commission (SEC). In addition, our senior management may make forward-looking statements orally to analysts, investors, the media and others. Written and oral forward-looking statements might include:

- projections of revenues, income, earnings per share, capital expenditures, dividends, capital structure or other financial items;
- descriptions of plans or objectives of management for future operations, products or services, including pending acquisitions;
- forecasts of future economic performance; and
- descriptions of assumptions underlying or relating to any of the foregoing.

Forward-looking statements discuss matters that are not facts and often include "believe," "expect," "anticipate," "intend," "plan," "estimate," "will," "can," "would," "should," "could" or "may." You should not unduly rely on forward-looking statements. They give our expectations about the future and are not guarantees. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them to reflect changes that occur after the date they are made.

There are several factors—many of which are beyond our control—that could cause results to differ significantly from expectations. Some of these factors are described below. Other factors, such as credit, market, operational, liquidity, interest rate and other risks, are described elsewhere in this report (see, for example, "Financial Review – Balance Sheet Analysis"). Factors relating to the regulation and supervision of the holding company and its subsidiaries are also described in our report on Form 10-K for the year ended December 31, 2000. There are factors other than those described in this report or in our Form 10-K that could cause results to differ from expectations. Any factor described in this report or in our Form 10-K could by itself, or together with one or more other factors, adversely affect our business, earnings and/or financial condition.

Industry Factors

AS A FINANCIAL SERVICES COMPANY, OUR EARNINGS ARE SIGNIFICANTLY AFFECTED BY GENERAL BUSINESS AND ECONOMIC CONDITIONS.

Our business and earnings are sensitive to general business and economic conditions in the United States and abroad. These conditions include short-term and long-term interest rates, inflation, monetary supply, fluctuations in both debt and equity capital markets, and the strength of the U.S. economy and the local economies in which we operate. For example, an economic downturn or higher interest rates could decrease the demand for loans and other products and services and/or increase the number of customers who fail to repay their loans. Higher interest rates also could increase our cost to borrow funds and increase the rate we pay on deposits. This could more than offset, in the net interest margin, any increase we earn on new or floating rate loans or short-term investments. We discuss many of these business and economic conditions in more detail elsewhere in this report.

OUR EARNINGS ALSO ARE SIGNIFICANTLY AFFECTED BY THE FISCAL AND MONETARY POLICIES OF THE FEDERAL GOVERNMENT AND ITS AGENCIES.

The policies of the Board of Governors of the Federal Reserve System impact us significantly. The Federal Reserve Board regulates the supply of money and credit in the United States. Its policies directly and indirectly influence the rate of interest paid on interest-bearing deposits and can also affect the value of financial instruments we hold. Those policies determine to a significant extent our cost of funds for lending and investing. Changes in those policies are beyond our control and are hard to predict. Federal Reserve Board policies can affect our borrowers, potentially increasing the risk that they may fail to repay their loans. For example, a tightening of the money supply by the Federal Reserve Board could reduce the demand for a borrower's products and services. This could adversely affect the borrower's earnings and ability to repay its loan.

THE FINANCIAL SERVICES INDUSTRY IS HIGHLY COMPETITIVE.

We operate in a highly competitive environment in the products and services we offer and the markets in which we operate. The competition among financial services companies to attract and retain customers is intense. Customer loyalty can be easily influenced by a competitor's new products, especially offerings that provide cost savings to the customer. Some of our competitors may be better able to provide a wider range of products and services over a greater geographic area.

We believe the financial services industry will become even more competitive as a result of legislative, regulatory and technological changes and the continued consolidation of the industry. Technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Also, investment banks and insurance companies are competing in more banking businesses such as syndicated lending and consumer banking. Many of our competitors have fewer regulatory constraints and lower cost structures. We expect the consolidation of the financial services industry to result in larger, better capitalized companies offering a wide array of financial services and products.

The Gramm-Leach-Bliley Act (the Act) permits banks, securities firms and insurance companies to merge by creating a new type of financial services company called a "financial holding company." Financial holding companies can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Under the Act, securities firms and insurance companies that elect to become a financial holding company can acquire banks and other financial institutions. The Act significantly changes our competitive environment.

WE ARE HEAVILY REGULATED BY FEDERAL AND STATE AGENCIES.

The holding company, its subsidiary banks and many of its non-bank subsidiaries are heavily regulated at the federal and state levels. This regulation is to protect depositors, federal deposit insurance funds and the banking system as a whole, not security holders. Congress and state legislatures and federal and state regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect us in substantial and unpredictable ways including limiting the types of financial services and products we may offer and/or increasing the ability of non-banks to offer competing financial services and products. Also, our failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies and damage to our reputation. For more information, refer to Notes 3 and 22 to the Financial Statements in this report and to the "Regulation and Supervision" section of our report on Form 10-K for the year ended December 31, 2000.

CONSUMERS MAY DECIDE NOT TO USE BANKS TO COMPLETE THEIR FINANCIAL TRANSACTIONS.

Technology and other changes are allowing parties to complete financial transactions that historically have involved banks at one or both ends of the transaction. For example, consumers can now pay bills and transfer funds directly without banks. The process of eliminating banks as intermediaries, known as "disintermediation," could result in the loss of fee income, as well as the loss of customer deposits and income generated from those deposits.

Company Factors

MAINTAINING OR INCREASING OUR MARKET SHARE DEPENDS ON MARKET ACCEPTANCE AND REGULATORY APPROVAL OF NEW PRODUCTS AND SERVICES.

Our success depends, in part, on our ability to adapt our products and services to evolving industry standards. There is increasing pressure on financial services companies to provide products and services at lower prices. This can reduce our net interest margin and revenues from our fee-based products and services. In addition, the widespread adoption of new technologies, including Internet-based services, could require us to make substantial expenditures to modify or adapt our existing products and services. We may not successfully introduce new products and services, achieve market acceptance of our products and services, and/or develop and maintain loyal customers.

THE HOLDING COMPANY RELIES ON DIVIDENDS FROM ITS SUBSIDIARIES FOR MOST OF ITS REVENUE.

The holding company is a separate and distinct legal entity from its subsidiaries. It receives substantially all of its revenue from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on the holding company's common and preferred stock and interest on its debt. The payment of dividends by a subsidiary is subject to federal law restrictions as well as to the laws of the subsidiary's state of incorporation. Also, the holding company's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. For more information, refer to "Regulation and Supervision—Dividend Restrictions" and "—Holding Company Structure" in our report on Form 10-K for the year ended December 31, 2000.

WE HAVE BUSINESSES OTHER THAN BANKING.

We are a diversified financial services company. In addition to banking, we provide insurance, investments, mortgages and consumer finance. Although we believe our diversity helps mitigate the impact to the Company when downturns affect any one segment of our industry, it also means that our earnings could be subject to different risks and uncertainties. For example, our venture capital earnings can be volatile and unpredictable. They depend not only on the business success of the underlying investments but also on when the holdings become publicly-traded and subsequent market conditions. A downturn in the stock market—in particular the market for technology stocks—could reduce our venture capital earnings.

The home mortgage industry is subject to special interest rate risks. Loan origination fees and loan servicing fees account for a significant portion of mortgage-related revenues. Changes in interest rates can impact both types of fees. For example, all things being equal, we would expect a decline in mortgage rates to increase the demand for mortgage loans as borrowers refinance existing loans at lower interest rates. When portions of our servicing portfolio pay off, however, we experience lower revenues from our servicing investments unless we add new loans to our servicing portfolio to replace the loans that have been paid off. Conversely, in a constant or increasing rate environment, we would expect fewer loans to be refinanced and fewer early payoffs of our servicing portfolio. We manage the impact of interest rate changes on the dynamic between loan origination revenues and loan servicing revenues with derivative financial instruments and other asset/liability management tools. How well we manage this risk impacts our mortgage-related revenues. For more information, refer to "Balance Sheet Analysis" later in this report.

WE HAVE AN ACTIVE ACQUISITION PROGRAM.

We regularly explore opportunities to acquire financial institutions and other financial services providers. We cannot predict the number, size or timing of future acquisitions. We typically do not publicly comment on a possible acquisition or business combination until we have signed a definitive agreement for the transaction.

Our ability to successfully complete an acquisition generally is subject to some type of regulatory approval, and we cannot be certain when or if, or on what terms and conditions, any required regulatory approvals will be granted. We typically can decide not to complete a proposed acquisition or business combination if we believe any condition under which a regulatory approval has been granted is unreasonably burdensome to us.

Difficulty in integrating an acquired company may cause us not to realize expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from the acquisition. Specifically, the integration process could result in higher than expected deposit attrition (run-off), loss of key employees, the disruption of our business or the business of the acquired company, or otherwise adversely affect our ability to maintain relationships with clients and employees or achieve the anticipated benefits of the acquisition.

OUR BUSINESS COULD SUFFER IF WE FAIL TO ATTRACT AND RETAIN SKILLED PEOPLE.

Our success depends, in part, on our ability to attract and retain key people. Competition for the best people—in particular individuals with technology experience—is intense. We may not be able to hire people or pay them enough to keep them.

OUR STOCK PRICE CAN BE VOLATILE.

Our stock price can fluctuate widely in response to a variety of factors including:

- actual or anticipated variations in our quarterly operating results;
- new technology or services by our competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- failure to integrate our acquisitions or realize anticipated benefits from our acquisitions; or
- changes in government regulations.

General market fluctuations, industry factors and general economic and political conditions, such as economic slowdowns or recessions, interest rate changes, credit loss trends or currency fluctuations, also could cause our stock price to decrease regardless of our operating results.

Operating Segment Results

COMMUNITY BANKING'S net income was $2,911 million in 2000, compared with $2,978 million in 1999, a decrease of 2%. Net interest income increased by $430 million, or 6%, compared with 1999. The provision for loan losses increased by $171 million from 1999. Noninterest income was up by $718 million in 2000, or 14%, compared with 1999. The increase was due to venture capital gains, partially offset by losses on securities available for sale due to the restructuring of the portfolio, write-downs of auto lease residuals and net losses on sales of loans that were incurred by First Security prior to the FSCO Merger. Noninterest expense increased by $901 million over 1999 due to integration charges associated with the WFC Merger, the FSCO Merger and other acquisitions, as well as expenditures related to online banking enhancements. The increase in tax expense relates to the accrual of deferred taxes of $36 million on undistributed earnings of a foreign subsidiary that the Company now intends to repatriate.

WHOLESALE BANKING'S net income was $892 million in 2000, compared with $841 million in 1999, an increase of 6%. Net interest income increased $274 million, or 20%, from 1999, due to growth in loan volumes. Commercial loan balances increased $6 billion, or 17%, from 1999. Noninterest income increased by $32 million, or 3%, compared with 1999, predominantly due to increased institutional trust and investment fees, foreign exchange and other fees. Noninterest expense increased by $209 million, or 18%, compared with 1999 partially due to integration activities and costs associated with increased sales volume.

WELLS FARGO HOME MORTGAGE (formerly Norwest Mortgage) earned $310 million in 2000, a 17% increase over the $266 million earned in 1999. Mortgage originations were $67 billion in 2000, compared with $82 billion in 1999. The percentage of originations attributed to mortgage loan refinancings was approximately 14% in 2000, compared with 37% in 1999. The managed servicing portfolio increased to $453 billion at December 31, 2000 from $282 billion at December 31, 1999. During 2000, Wells Fargo Home Mortgage entered into an agreement to subservice GE Capital Mortgage Services' $84 billion mortgage portfolio and acquired the servicing rights to a $35 billion portion of First Union Mortgage Corporation's servicing portfolio. The weighted average coupon of loans in the owned servicing portfolio was 7.52% at December 31, 2000, compared with 7.33% a year earlier. Total capitalized mortgage servicing rights were $5.6 billion, or 1.5% of the owned servicing portfolio, at December 31, 2000. Amortization of capitalized mortgage servicing rights was $537 million in 2000, compared with $683 million in 1999. The decrease in amortization in 2000 compared with 1999 was due primarily to slower prepayment activity. Combined gains on sales of mortgages and servicing rights were $127 million in 2000, compared with $186 million in 1999.

WELLS FARGO FINANCIAL (formerly Norwest Financial) reported net income of $258 million in 2000, compared with $243 million in 1999, an increase of 6%. Net interest income increased by 8% from 1999, due to growth in average loans. The provision for loan losses was $328 million in 2000, compared with $288 million in 1999, an increase of 14%. The increase was substantially due to the provision for a credit card portfolio acquired in 2000.

Earnings Performance

Net Interest Income

Net interest income is the difference between interest income (which includes yield-related loan fees) and interest expense. Net interest income on a taxable-equivalent basis was $10,930 million in 2000, compared with $10,185 million in 1999.

Net interest income on a taxable-equivalent basis expressed as a percentage of average total earning assets is referred to as the net interest margin, which represents the average net effective yield on earning assets. For 2000, the net interest margin was 5.35%, compared with 5.47% in 1999. The decrease was mostly due to the impact of funding strong loan growth with higher costing short- and long-term borrowings, partially offset by improved yields within the investment securities portfolio from the restructuring that occurred during the fourth quarter of 1999 and the first nine months of 2000.

Table 4 presents the individual components of net interest income and the net interest margin.

Interest income was reduced by hedging expense of $50 million in 2000, compared with hedging income of $171 million in 1999. Interest expense included hedging expense of $32 million in 2000, compared with hedging income of $105 million in 1999.

Noninterest Income

Table 3 shows the major components of noninterest income.

Table 3: Noninterest Income

(in millions)	Year ended December 31,			% Change	
	2000	1999	1998	2000/ 1999	1999/ 1998
Service charges on deposit accounts	$1,704	$1,580	$1,448	8%	9%
Trust and investment fees:					
Asset management and custody fees	735	784	706	(6)	11
Mutual fund and annuity sales fees	763	472	308	62	53
All other	126	110	102	15	8
Total trust and investment fees	1,624	1,366	1,116	19	22
Credit card fees	563	570	573	(1)	(1)
Other fees:					
Cash network fees	303	285	238	6	20
Charges and fees on loans	347	314	290	11	8
All other	621	495	461	25	7
Total other fees	1,271	1,094	989	16	11
Mortgage banking:					
Origination and other closing fees	350	406	557	(14)	(27)
Servicing fees, net of amortization	665	404	15	65	—
Net gains on sales of mortgage servicing rights	159	193	227	(18)	(15)
Net gains on sales of mortgages	38	117	182	(68)	(36)
All other	232	287	308	(19)	(7)
Total mortgage banking	1,444	1,407	1,289	3	9
Insurance	411	395	358	4	10
Net venture capital gains	1,943	1,008	113	93	792
Net (losses) gains on securities available for sale	(722)	(228)	177	217	—
Income from equity investments accounted for by the:					
Cost method	170	138	151	23	(9)
Equity method	94	81	42	16	93
Net (losses) gains on sales of loans	(134)	68	94	—	(28)
Net gains on dispositions of operations	23	107	100	(79)	7
All other	452	389	470	16	(17)
Total	$8,843	$7,975	$6,920	11%	15%

The increase in trust and investment fees for 2000 was due to overall growth in mutual fund assets. The Company managed mutual funds with $69 billion of assets at December 31, 2000, compared with $61 billion at December 31, 1999. The Company also managed or maintained personal trust, employee benefit trust and agency assets of approximately $432 billion and $378 billion at December 31, 2000 and 1999, respectively.

The increase in net venture capital gains was due to net gains (including write-downs for other-than-temporary impairment of marketable and nonmarketable securities) on various venture capital securities, including a $560 million gain that was recognized on the Company's investment in Siara Systems, Inc. Gains from venture capital securities are generally dependent on the timing of holdings becoming publicly traded and subsequent market conditions, causing venture capital gains to be unpredictable in nature.

The net losses on securities available for sale were predominantly due to the restructuring of the portfolio during the first nine months of 2000.

"All other" noninterest income included writedowns of auto lease residuals of about $177 million due to continued deterioration in the used auto market, compared with $36 million in 1999. In the third quarter of 2000, the Company obtained a residual loss insurance policy that will cover substantially all additional declines in residual values in the forseeable future for the auto lease portfolio as of June 30, 2000.

Net losses on sales of loans were due to sales of loans and securitizations by First Security prior to the FSCO Merger.

Table 4: Average Balances, Yields and Rates Paid (Taxable-Equivalent Basis) (1)(2)

(in millions)	2000			1999		
	Average balance	Yields/ rates	Interest income/ expense	Average balance	Yields/ rates	Interest income/ expense
EARNING ASSETS						
Federal funds sold and securities purchased under resale agreements	$ 2,370	6.01%	$ 143	$ 1,673	5.11%	$ 86
Debt securities available for sale [3]:						
Securities of U.S. Treasury and federal agencies	3,322	6.16	210	6,124	5.51	348
Securities of U.S. states and political subdivisions	2,080	7.74	162	2,119	8.12	168
Mortgage-backed securities:						
Federal agencies	26,054	7.22	1,903	23,542	6.77	1,599
Private collateralized mortgage obligations	2,379	7.61	187	3,945	6.77	270
Total mortgage-backed securities	28,433	7.25	2,090	27,487	6.77	1,869
Other debt securities [4]	5,049	7.93	261	3,519	7.49	209
Total debt securities available for sale [4]	38,884	7.24	2,723	39,249	6.69	2,594
Mortgages held for sale [3]	10,725	7.85	849	13,559	6.96	951
Loans held for sale [3]	4,915	8.50	418	5,154	7.31	377
Loans:						
Commercial	45,352	9.40	4,263	38,932	8.66	3,370
Real estate 1-4 family first mortgage	16,356	7.95	1,300	13,315	7.78	1,036
Other real estate mortgage	22,509	8.99	2,023	18,822	8.74	1,645
Real estate construction	6,934	10.02	695	5,260	9.56	503
Consumer:						
Real estate 1-4 family junior lien mortgage	15,292	10.43	1,595	11,656	9.96	1,161
Credit card	5,867	14.58	856	5,686	13.77	783
Other revolving credit and monthly payment	21,824	12.06	2,631	19,561	11.88	2,324
Total consumer	42,983	11.82	5,082	36,903	11.57	4,268
Lease financing	9,822	7.66	752	8,852	7.81	691
Foreign	1,621	21.15	343	1,554	20.65	321
Total loans [5][6]	145,577	9.93	14,458	123,638	9.57	11,834
Other	3,206	6.21	199	3,252	5.01	162
Total earning assets	$205,677	9.19	18,790	$186,525	8.60	16,004
FUNDING SOURCES						
Deposits:						
Interest-bearing checking	$ 3,424	1.88	64	$ 3,120	.99	31
Market rate and other savings	63,577	2.81	1,786	60,901	2.30	1,399
Savings certificates	30,101	5.37	1,616	30,088	4.86	1,462
Other time deposits	4,438	5.69	253	3,957	4.94	196
Deposits in foreign offices	5,950	6.22	370	1,658	4.76	79
Total interest-bearing deposits	107,490	3.80	4,089	99,724	3.17	3,167
Short-term borrowings	28,222	6.23	1,758	22,559	5.00	1,127
Long-term debt	29,000	6.69	1,939	24,646	5.90	1,453
Guaranteed preferred beneficial interests in Company's subordinated debentures	935	7.92	74	935	7.73	72
Total interest-bearing liabilities	165,647	4.75	7,860	147,864	3.94	5,819
Portion of noninterest-bearing funding sources	40,030	—	—	38,661	—	—
Total funding sources	$205,677	3.84	7,860	$186,525	3.13	5,819
Net interest margin and net interest income on a taxable-equivalent basis [7]		5.35%	$10,930		5.47%	$10,185
NONINTEREST-EARNING ASSETS						
Cash and due from banks	$ 13,103			$ 12,252		
Goodwill	8,811			7,983		
Other	22,597			18,339		
Total noninterest-earning assets	$ 44,511			$ 38,574		
NONINTEREST-BEARING FUNDING SOURCES						
Deposits	$ 48,691			$ 45,201		
Other liabilities	11,000			8,909		
Preferred stockholders' equity	266			461		
Common stockholders' equity	24,584			22,664		
Noninterest-bearing funding sources used to fund earning assets	(40,030)			(38,661)		
Net noninterest-bearing funding sources	$ 44,511			$ 38,574		
TOTAL ASSETS	$250,188			$225,099		

(1) The average prime rate of the Company was 9.24%, 8.00%, 8.35%, 8.44% and 8.27% for 2000, 1999, 1998, 1997 and 1996, respectively. The average three-month London Interbank Offered Rate (LIBOR) was 6.52%, 5.42%, 5.56%, 5.74% and 5.51% for the same years, respectively.
(2) Interest rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.
(3) Yields are based on amortized cost balances computed on a settlement date basis.
(4) Includes certain preferred securities.

1998			1997			1996		
Average balance	Yields/ rates	Interest income/ expense	Average balance	Yields/ rates	Interest income/ expense	Average balance	Yields/ rates	Interest income/ expense
$ 1,770	5.57%	$ 99	$ 1,207	5.40%	$ 65	$ 1,706	5.45%	$ 93
5,916	6.02	353	5,987	6.22	371	4,365	6.00	262
1,855	8.39	148	1,630	8.35	133	1,118	8.59	96
20,079	6.99	1,376	22,173	7.08	1,559	22,076	6.94	1,531
3,072	6.72	205	3,083	6.80	210	2,907	6.54	190
23,151	6.95	1,581	25,256	7.05	1,769	24,983	6.89	1,721
1,570	7.94	105	1,192	5.71	71	1,594	4.89	78
32,492	6.90	2,187	34,065	6.91	2,344	32,060	6.73	2,157
14,712	6.85	1,008	7,314	7.27	532	7,194	7.74	557
4,876	7.71	376	3,900	8.10	316	3,560	9.21	328
35,805	8.85	3,169	31,939	9.22	2,943	29,607	9.18	2,719
13,870	7.92	1,098	16,924	8.46	1,432	16,690	8.44	1,409
17,539	9.40	1,648	17,603	9.61	1,692	16,721	9.23	1,543
4,270	9.71	415	3,858	10.13	391	3,469	9.97	346
10,708	10.43	1,117	9,882	9.61	950	9,474	9.34	885
6,322	14.99	948	6,960	14.59	1,015	6,819	15.05	1,026
19,992	12.15	2,428	20,188	11.88	2,398	19,022	11.75	2,236
37,022	12.13	4,493	37,030	11.78	4,363	35,315	11.74	4,147
7,039	8.13	572	5,467	8.32	455	3,754	8.39	315
1,353	20.65	279	1,042	20.40	212	966	20.39	197
116,898	9.99	11,674	113,863	10.09	11,488	106,522	10.02	10,676
3,092	5.86	181	2,558	5.93	152	2,116	5.62	119
$173,840	8.97	$15,525	$162,907	9.16	$14,897	$153,158	9.09	$13,930
$ 3,034	1.35	41	$ 3,491	1.72	60	$ 7,645	1.56	119
56,724	2.63	1,492	54,753	2.62	1,433	48,032	2.71	1,301
31,905	5.29	1,686	32,143	5.32	1,711	27,666	5.19	1,435
4,565	5.47	250	4,112	5.61	231	6,053	5.77	349
948	4.84	46	1,386	4.83	67	719	4.73	34
97,176	3.62	3,515	95,885	3.65	3,502	90,115	3.59	3,238
17,927	5.36	963	14,038	5.36	756	12,749	5.26	671
19,294	6.29	1,214	18,335	6.40	1,173	19,029	6.25	1,190
1,160	8.12	94	1,437	7.89	113	82	7.32	6
135,557	4.27	5,786	129,695	4.27	5,544	121,975	4.19	5,105
38,283	—	—	33,212	—	—	31,183	—	—
$173,840	3.34	5,786	$162,907	3.41	5,544	$153,158	3.33	5,105
	5.63%	$ 9,739		5.75%	$ 9,353		5.76%	$ 8,825
$ 11,410			$ 12,297			$ 12,098		
8,069			8,325			6,477		
14,255			14,689			11,870		
$ 33,734			$ 35,311			$ 30,445		
$ 43,229			$ 39,903			$ 36,922		
7,314			7,688			5,770		
463			555			969		
21,011			20,377			17,967		
(38,283)			(33,212)			(31,183)		
$ 33,734			$ 35,311			$ 30,445		
$207,574			$198,218			$183,603		

(5) Interest income includes loan fees, net of deferred costs, of approximately $205 million, $210 million, $148 million, $126 million and $103 million in 2000, 1999, 1998, 1997 and 1996, respectively.

(6) Nonaccrual loans and related income are included in their respective loan categories.

(7) Includes taxable-equivalent adjustments that primarily relate to income on certain loans and securities that is exempt from federal and applicable state income taxes. The federal statutory tax rate was 35% for all years presented.

Noninterest Expense

Table 5 shows the major components of noninterest expense.

Table 5: Noninterest Expense

(in millions)	Year ended December 31,			% Change	
	2000	1999	1998	2000/ 1999	1999/ 1998
Salaries	$ 3,652	$ 3,307	$ 3,318	10%	— %
Incentive compensation	846	643	657	32	(2)
Employee benefits	989	901	807	10	12
Equipment	948	928	976	2	(5)
Net occupancy	953	813	804	17	1
Goodwill	530	459	429	15	7
Core deposit intangible:					
Nonqualifying (1)	173	186	220	(7)	(15)
Qualifying	13	20	27	(35)	(26)
Net (gains) losses on dispositions of premises and equipment	(58)	(16)	325	263	—
Contract services	536	473	353	13	34
Outside professional services	447	381	398	17	(4)
Outside data processing	343	312	293	10	6
Advertising and promotion	316	251	252	26	—
Telecommunications	303	286	269	6	6
Travel and entertainment	287	262	225	10	16
Postage	252	239	241	5	(1)
Stationery and supplies	223	191	198	17	(4)
Insurance	157	152	132	3	15
Operating losses	179	150	157	19	(4)
Security	98	95	90	3	6
All other	643	604	1,140	6	(47)
Total	$11,830	$10,637	$11,311	11%	(6)%

(1) Represents amortization of core deposit intangible acquired after February 1992 that is subtracted from stockholders' equity in computing regulatory capital for bank holding companies.

The increase in salaries, incentive compensation and employee benefits was due to an increase in active full-time equivalent staff, partially offset by the reversal of $58 million of the remaining severance reserve associated with the WFC Merger due to better than expected results from the Company's employee retention program and higher than expected voluntary terminations due to a robust job market.

Earnings/Ratios Excluding Goodwill and Nonqualifying Core Deposit Intangible

Table 6 reconciles reported earnings to net income excluding goodwill and nonqualifying core deposit intangible amortization ("cash" earnings) for the year ended December 31, 2000. Table 7 presents the calculation of the ROA, ROE and efficiency ratios excluding goodwill and nonqualifying core deposit intangible amortization and balances for the year ended December 31, 2000. These calculations were specifically formulated by the Company and may not be comparable to similarly titled measures reported by other companies. Also, "cash" earnings are not entirely available for use by management. See the Consolidated Statement of Cash Flows and Note 3 to Financial Statements for other information regarding funds available for use by management.

Table 6: Earnings Excluding Goodwill and Nonqualifying CDI

(in millions, except per share amounts)	Year ended December 31, 2000			
	Reported earnings	Amortization		"Cash" earnings
		Goodwill	Nonqualifying core deposit intangible	
Income before income tax expense	$6,549	$530	$173	$7,252
Income tax expense	2,523	—	66	2,589
Net income	4,026	530	107	4,663
Preferred stock dividends	17	—	—	17
Net income applicable to common stock	$4,009	$530	$107	$4,646
Earnings per common share	$ 2.36			$ 2.73
Diluted earnings per common share	$ 2.33			$ 2.70

Table 7: Ratios Excluding Goodwill and Nonqualifying CDI

(in millions) Year ended December 31, 2000

ROA:	A/(C-E-F)	=	1.94%
ROE:	B/(D-E-G)	=	30.89%
Efficiency:	(H-I)/J	=	56.5%

Net income	$ 4,663 (A)
Net income applicable to common stock	4,646 (B)
Average total assets	250,188 (C)
Average common stockholders' equity	24,584 (D)
Average goodwill	8,811 (E)
Average pretax nonqualifying core deposit intangible	1,182 (F)
Average after-tax nonqualifying core deposit intangible	733 (G)
Noninterest expense	11,830 (H)
Amortization expense for goodwill and nonqualifying core deposit intangible	703 (I)
Net interest income plus noninterest income	19,708 (J)

Balance Sheet Analysis

A comparison between the year-end 2000 and 1999 balance sheets is presented below.

Securities Available For Sale

Total securities available for sale averaged $38.9 billion in 2000, compared with $39.2 billion in 1999. Total securities available for sale were $38.7 billion at December 31, 2000, a 12% decrease from $43.9 billion at December 31, 1999.

Table 8 provides the components of the estimated unrealized net gain on securities available for sale.

Table 8: Estimated Unrealized Gains and Losses on Securities Available For Sale

(in millions)	December 31, 2000	1999
Estimated unrealized gross gains	$1,620	$ 2,185
Estimated unrealized gross losses	(830)	(1,108)
Estimated unrealized net gain	$ 790	$ 1,077

The unrealized net gain of $718 million in the debt securities portion of the securities available for sale portfolio at December 31, 2000 was attributable to the restructuring of the portfolio during the year accompanied by a decline in long-term interest rates throughout the year. The Company may decide to sell certain of the securities available for sale to manage the level of earning assets (for example, to offset loan growth that exceeds expected maturities and prepayments of securities). (See Note 4 to Financial Statements for securities available for sale by security type.)

The unrealized net gain on securities available for sale is reported on an after-tax basis as a component of cumulative other comprehensive income. At December 31, 2000, the unrealized net after-tax gain was $536 million, compared with an unrealized net after-tax gain of $770 million at December 31, 1999.

At December 31, 2000, mortgage-backed securities, including collateralized mortgage obligations (CMOs), were $28.2 billion, or 73% of the Company's securities available for sale portfolio. As an indication of interest rate risk, the Company has estimated the effect of a 200 basis point increase in interest rates on the value of the mortgage-backed securities and the corresponding expected remaining maturities. Based on that rate scenario, mortgage-backed securities would decrease in fair value from $28.4 billion to $26.1 billion and the expected remaining maturity of these securities would increase from 7 years and 6 months to 8 years and 8 months.

Loan Portfolio

A comparative schedule of average loan balances is presented in Table 4; year-end balances are presented in Note 5 to Financial Statements.

Loans averaged $145.6 billion in 2000, compared with $123.6 billion in 1999, an increase of 18%. Total loans at December 31, 2000 were $161.1 billion, compared with $133.0 billion at year-end 1999, an increase of 21%. The Company's total unfunded loan commitments increased to $92.7 billion at December 31, 2000, from $82.3 billion at December 31, 1999. The actual liquidity requirements or credit risk that the Company will experience will be lower than the contractual amount of commitments to extend credit because a significant portion of those commitments are expected to expire without being drawn upon.

Nonaccrual and Restructured Loans and Other Assets

Table 9, on the following page, presents comparative data for nonaccrual and restructured loans and other assets. Management's classification of a loan as nonaccrual or restructured does not necessarily indicate that the principal of the loan is uncollectible in whole or in part. Table 9 excludes loans that are contractually past due 90 days or more as to interest or principal, but are both well-secured and in the process of collection or are real estate 1-4 family first mortgage loans or consumer loans that are exempt under regulatory rules from being classified as nonaccrual. This information is presented in Table 10. Notwithstanding, real estate 1-4 family loans (first and junior liens) are placed on nonaccrual within 120 days of becoming past due and are shown in Table 9. (Note 1 to Financial Statements describes the Company's accounting policy relating to nonaccrual and restructured loans.)

Table 9: Nonaccrual and Restructured Loans and Other Assets

(in millions)	December 31,				
	2000	1999	1998	1997	1996
Nonaccrual loans:					
Commercial [1]	$ 739	$374	$302	$224	$ 295
Real estate 1-4 family first mortgage	127	144	138	177	155
Other real estate mortgage [2]	113	118	204	263	385
Real estate construction	57	11	23	32	34
Consumer:					
Real estate 1-4 family junior lien mortgage	23	17	17	17	15
Other revolving credit and monthly payment	36	27	41	18	5
Total consumer	59	44	58	35	20
Lease financing	92	24	13	12	18
Foreign	7	9	17	—	—
Total nonaccrual loans [3]	1,194	724	755	743	907
Restructured loans	1	4	1	9	10
Nonaccrual and restructured loans	1,195	728	756	752	917
As a percentage of total loans	.7%	.5%	.6%	.6%	.8%
Foreclosed assets	128	161	152	216	273
Real estate investments [4]	27	33	1	4	4
Total nonaccrual and restructured loans and other assets	$1,350	$922	$909	$972	$1,194

(1) Includes commercial agricultural loans of $44 million, $49 million, $41 million, $32 million and $31 million at December 31, 2000, 1999, 1998, 1997 and 1996, respectively.
(2) Includes agricultural loans secured by real estate of $13 million, $17 million, $12 million, $18 million and $13 million at December 31, 2000, 1999, 1998, 1997 and 1996, respectively.
(3) Of the total nonaccrual loans, $761 million, $372 million, $389 million, $416 million and $593 million at December 31, 2000, 1999, 1998, 1997 and 1996, respectively, were considered impaired under FAS 114, *Accounting by Creditors for Impairment of a Loan*.
(4) Represents the amount of real estate investments (contingent interest loans accounted for as investments) that would be classified as nonaccrual if such assets were recorded as loans. Real estate investments totaled $56 million, $89 million, $128 million, $172 million and $154 million at December 31, 2000, 1999, 1998, 1997 and 1996, respectively.

The Company anticipates changes in the amount of nonaccrual loans that result from increases in lending activity or from resolutions of loans in the nonaccrual portfolio. The performance of any individual loan can be affected by external factors, such as the interest rate environment or factors particular to a borrower such as actions taken by a borrower's management. In addition, from time to time, the Company purchases loans from other financial institutions that may be classified as nonaccrual based on the Company's policies.

The Company generally identifies loans to be evaluated for impairment under FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*, when such loans are on nonaccrual or have been restructured. However, not all nonaccrual loans are impaired. Generally, a loan is placed on nonaccrual status upon becoming 90 days past due as to interest or principal (unless both well-secured and in the process of collection), when the full timely collection of interest or principal becomes uncertain or when a portion of the principal balance has been charged off. Real estate 1-4 family loans (both first liens and junior liens) are placed on nonaccrual status within 120 days of becoming past due as to interest or principal, regardless of security. In contrast, under FAS 114, loans are considered impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement, including scheduled interest payments. For a loan that has been restructured, the contractual terms of the loan agreement refer to the contractual terms specified by the original loan agreement, rather than the contractual terms specified by the restructuring agreement. Consequently, not all impaired loans are necessarily placed on nonaccrual status. That is, loans performing under restructured terms beyond a specified performance period are classified as accruing but may still be deemed impaired under FAS 114.

For loans covered under FAS 114, the Company makes an assessment for impairment when and while such loans are on nonaccrual, or when the loan has been restructured. When a loan with unique risk characteristics has been identified as being impaired, the Company will estimate the amount of impairment using discounted cash flows, except when the sole (remaining) source of repayment for the loan is the operation

or liquidation of the underlying collateral. In such cases, the current fair value of the collateral, reduced by costs to sell, will be used in place of discounted cash flows. Additionally, some impaired loans with commitments of less than $1 million are aggregated for the purpose of estimating impairment using historical loss factors as a means of measurement.

If the measurement of the impaired loan results in a value that is less than the recorded investment in the loan (including accrued interest, net deferred loan fees or costs and unamortized premium or discount), an impairment is recognized by creating or adjusting an existing allocation of the allowance for loan losses. FAS 114 does not change the timing of charge-offs of loans to reflect the amount ultimately expected to be collected.

If interest that was due on the book balances of all nonaccrual and restructured loans (including loans that were but are no longer on nonaccrual or were restructured at year end) had been accrued under their original terms, $88 million of interest would have been recorded in 2000, compared with $22 million actually recorded.

Foreclosed assets at December 31, 2000 were $128 million, compared with $161 million at December 31, 1999. Most of the foreclosed assets at December 31, 2000 have been in the portfolio three years or less.

Loans 90 Days or More Past Due and Still Accruing

Table 10 shows loans that are contractually past due 90 days or more as to interest or principal, but are not included in Table 9, Nonaccrual and Restructured Loans and Other Assets.

Table 10: Loans 90 Days or More Past Due and Still Accruing

(in millions)	December 31				
	2000	1999	1998	1997	1996
Commercial	$ 90	$ 27	$ 33	$ 37	$ 86
Real estate 1-4 family first mortgage	66	45	42	58	55
Other real estate mortgage	24	18	18	17	68
Real estate construction	12	4	6	14	11
Consumer:					
Real estate 1-4 family junior lien mortgage	27	36	65	75	55
Credit card	96	105	145	165	151
Other revolving credit and monthly payment	263	198	171	212	188
Total consumer	386	339	381	452	394
Total	$578	$433	$480	$578	$614

Allowance For Loan Losses

An analysis of the changes in the allowance for loan losses, including charge-offs and recoveries by loan category, is presented in Note 5 to Financial Statements. At December 31, 2000, the allowance for loan losses was $3,719 million, or 2.31% of total loans, compared with $3,344 million, or 2.51%, at December 31, 1999 and $3,307 million, or 2.76%, at December 31, 1998. The provision for loan losses totaled $1,329 million in 2000, $1,104 million in 1999 and $1,617 million in 1998. Net charge-offs in 2000 were $1,219 million, or .84% of average total loans, compared with $1,115 million, or .90%, in 1999 and $1,678 million, or 1.44%, in 1998. Loan loss recoveries were $428 million in 2000, compared with $473 million in 1999 and $461 million in 1998. Any loan that is past due as to principal or interest and that is not both well-secured and in the process of collection is generally charged off (to the extent that it exceeds the fair value of any related collateral) after a predetermined period of time that is based on loan category. Additionally, loans are charged off when classified as a loss by either internal loan examiners or regulatory examiners.

The Company considers the allowance for loan losses of $3,719 million adequate to cover losses inherent in loans, commitments to extend credit and standby and other letters of credit at December 31, 2000. However, no assurance can be given that the Company will not, in any particular period, sustain loan losses that are sizeable in relation to the amount reserved, or that subsequent evaluations of the loan portfolio, in light of the factors then prevailing, including economic conditions and the ongoing examination process by the Company and its regulators, will not require significant increases in the allowance for loan losses. For discussion of the process by which the Company determines the adequacy of the allowance for loan losses, see Note 5 to Financial Statements.

Deposits

Comparative detail of average deposit balances is presented in Table 4. Average core deposits funded 58.3% and 61.9% of the Company's average total assets in 2000 and 1999, respectively. Year-end deposit balances are presented in Table 11.

Table 11: Deposits

(in millions)	December 31, 2000	December 31, 1999	% Change
Noninterest-bearing	$ 55,096	$ 45,520	21%
Interest-bearing checking	3,699	3,556	4
Market rate and other savings	66,859	60,339	11
Savings certificates	31,056	28,832	8
Core deposits	156,710	138,247	13
Other time deposits	5,137	3,757	37
Deposits in foreign offices	7,712	3,914	97
Total deposits	$169,559	$145,918	16%

Market Risk

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices and equity prices. The primary market risk to which the Company is exposed is interest rate risk. The majority of the Company's interest rate risk arises from the instruments, positions and transactions entered into for purposes other than trading. They include loans, securities available for sale, deposit liabilities, short-term borrowings, long-term debt and derivative financial instruments used for asset/liability management. Interest rate risk occurs when assets and liabilities reprice at different times as market interest rates change. For example, if fixed-rate assets are funded with floating-rate debt, the spread between asset and liability rates will decline or turn negative if rates increase. The Company refers to this type of risk as "term structure risk". There is, however, another source of interest rate risk which results from changing spreads between asset and liability rates. The Company calls this type of risk "basis risk"; it is a significant source of interest rate risk for the Company and is more difficult to quantify and manage than term structure risk. Two primary components of basis risk for the Company are (1) the spread between prime-based loans and market rate account (MRA) savings deposits and (2) the rate paid on savings and interest-bearing checking accounts as compared to LIBOR-based loans.

Interest rate risk is managed within an overall asset/liability framework for the Company. The principal objectives of asset/liability management are to manage the sensitivity of net interest spreads and net income to potential changes in interest rates and to enhance profitability in ways that promise sufficient reward for understood and controlled risk. Funding positions are kept within predetermined limits designed to ensure that risk-taking is not excessive and that liquidity is properly managed. The Company employs a sensitivity analysis in the form of a net interest income simulation to help characterize the market risk arising from changes in interest rates in the other-than-trading portfolio.

The Company's net interest income simulation includes all other-than-trading financial assets, financial liabilities, derivative financial instruments and leases where the Company is the lessor. It captures the dynamic nature of the balance sheet by anticipating probable balance sheet and off-balance sheet strategies and volumes under different interest rate scenarios over the course of a one-year period. This simulation measures both the term structure risk and the basis risk in the Company's positions. The simulation also captures the option characteristics of products, such as caps and floors on floating-rate loans, the right to prepay mortgage loans without penalty and the ability of customers to withdraw deposits on demand. These options are modeled directly in the simulation either through the use of option pricing models, in the case of caps and floors on loans, or through statistical analysis of historical customer behavior, in the case of mortgage loan prepayments or non-maturity deposits.

The simulation model is used to measure the impact on net income, relative to a base case scenario, of interest rates increasing or decreasing 100 basis points over the next 12 months. The simulation run at December 31, 2000 showing the largest drop in net income relative to the base case scenario over the next twelve months is a 100 basis point increase in rates that will result in a decrease in net income of $61 million. In the simulation that was run at December 31, 1999, the largest drop in net income relative to the base case scenario over the next twelve months was a 100 basis point increase in rates that was projected to result in a decrease in net income of $54 million.

The Company uses interest rate derivative financial instruments as an asset/liability management tool to hedge mismatches in interest rate exposures indicated by the net income simulation described above. They are used to reduce the Company's exposure to interest rate fluctuations and provide more stable spreads between loan yields and the rates on their funding sources. The Company also purchases interest rate floors to protect against the loss in interest

income on LIBOR-based loans during a declining interest rate environment. Additionally, receive-fixed rate swaps are used to convert floating-rate loans into fixed rates to better match the liabilities that fund the loans. The Company also uses derivatives including floors, swaptions, futures contracts and options on futures contracts to hedge the Company's mortgage servicing rights as well as forwards, swaptions, futures and options on futures and forwards to hedge the Company's 1-4 family real estate first mortgage loan commitments and mortgage loans held for sale.

Looking toward managing interest rate risk in 2001, the Company will face risk primarily from the possibility of rising rates. Given the Company's negative one year gap, if rates rise, rate sensitive liabilities will rise faster than asset yields, leading to a decline in the margin. The extent of this decline will depend on the degree to which retail deposits change relative to market rates.

Falling rates should benefit the Company's margin, as deposit rates can be expected to fall faster than asset yields. This would particularly be true if short-term rates fall more than long-term rates, and the yield curve returns to a positive slope. In the case of a large rate decline, retail deposit pricing might reach a floor and offset some of the benefit.

As mentioned above, the Company has also partially hedged its mortgage serving rights against a falling rate scenario, using primarily floors, futures contracts and options on futures contracts. Based on its current and projected balance sheet, the Company does not expect that a change in interest rates would significantly affect its liquidity position.

The Company considers the fair values and the potential near term losses to future earnings related to its customer accommodation derivative financial instruments to be immaterial.

Table 12: Derivative Activities

(in millions)	Year ended December 31,2000					
	Beginning balance	Additions	Amortization and maturities	Terminations	Ending balance	Weighted average expected remaining maturity (in yrs.-mos.)
Interest rate contracts:						
Swaps	$32,846	$ 11,108	$11,522	$ 6,615	$25,817	2-6
Futures	50,885	63,711	33,513	9,599	71,484	0-10
Floors and caps	41,142	12,863	15,850	18,016	20,139	2-11
Options	11,940	127,838	79,683	39,475	20,620	0-4
Forwards	22,528	317,253	90,385	228,004	21,392	0-1
Foreign exchange contracts:						
Forwards	138	719	—	785	72	1-0

Derivative Financial Instruments

The Company uses interest rate derivative financial instruments as asset/liability management tools to hedge the Company's exposure to interest rate fluctuations. The Company also offers contracts to accommodate its customers, but hedges such contracts by purchasing other financial contracts or uses the contracts for asset/liability management. Table 12, above, reconciles the beginning and ending notional or contractual amounts of derivative financial instruments used for asset/liability management purposes for 2000 and shows the expected remaining maturity at year-end 2000. For a further discussion of derivative financial instruments, refer to Note 23 to Financial Statements.

Net deferred losses related to interest rate futures contracts were $304 million at December 31, 2000. Net deferred losses on terminated derivative financial instruments were $320 million at December 31, 2000, compared with net deferred losses of $237 million at December 31, 1999.

Liquidity and Capital Management

The Company manages its liquidity and capital at both the parent and subsidiary levels.

In addition to the immediately liquid resources of cash and due from banks and federal funds sold and securities purchased under resale agreements, asset liquidity is provided by the Company's securities available for sale portfolio. The weighted average expected remaining maturity of the debt securities within this portfolio was 7 years and 8 months at December 31, 2000. Of the $36.1 billion of debt securities in this portfolio at December 31, 2000, $3.8 billion, or 11%, is expected to mature or be prepaid in 2001 and an additional $3.5 billion, or 10%, is expected to mature or be prepaid in 2002. Asset liquidity is further enhanced by the Company's ability to securitize assets such as mortgage loans.

Core deposits have historically provided the Company with a sizeable source of relatively stable and low-cost funds. The Company's average core deposits and stockholders' equity funded 68.2% and 72.2% of its average total assets in 2000 and 1999, respectively.

The remaining funding of average total assets was mostly provided by long-term debt, deposits in foreign offices, short-term borrowings (federal funds purchased and securities sold under repurchase agreements, commercial paper and other short-term borrowings) and trust preferred securities. Short-term borrowings averaged $28.2 billion and $22.6 billion in 2000 and 1999, respectively. Long-term debt averaged $29.0 billion and $24.6 billion in 2000 and 1999, respectively. Trust preferred securities averaged $.9 billion in 2000 and 1999.

Liquidity for the Company is also provided by interest income, deposit-raising activities, potential disposition of readily marketable assets and through its ability to raise funds in a variety of domestic and international money and capital markets. The Company accesses the capital markets for long-term funding through the issuance of registered debt, private placements and asset-based secured funding.

In October 2000, the Parent filed a shelf registration statement with the SEC under which the Parent may issue up to $10 billion in debt and equity securities, excluding common stock, except for common stock issuable upon the exercise or conversion of debt and equity securities. That registration statement, together with the $550 million issuance authority remaining on the Parent's registration statement filed in 1999, permits the Parent to issue an aggregate of $10.55 billion in such debt and equity securities as of December 31, 2000. Proceeds from the issuance of the debt securities listed above were, and with respect to any such securities issued in the future, are expected to be used for general corporate purposes.

In April 2000, Wells Fargo Financial, Inc. (WFFI) filed a shelf registration statement with the SEC, under which WFFI may issue up to $3 billion in senior or subordinated debt securities. As of December 31, 2000, WFFI had $1.8 billion remaining under the registration statement. In April 1999, WFFI filed a shelf registration statement with the SEC, under which WFFI may issue up to $2 billion in senior or subordinated debt securities. As of December 31, 2000, WFFI had $150 million remaining under the registration statement. Also in 1999, a subsidiary of WFFI filed a shelf registration statement with the Canadian provincial securities authorities for the issuance of up to $1 billion (Canadian) in debt securities. As of December 31, 2000, there was $465 million (Canadian) remaining on that registration statement. In February 2001, WFFI filed a shelf registration statement with the SEC, under which WFFI may issue up to $4 billion in senior or subordinated debt securities.

In March and June of 2000, Wells Fargo Bank, N.A. issued $750 million in Floating-Rate Subordinated Notes and $1.75 billion in Subordinated Notes, respectively. In February of 2001, Wells Fargo Bank, N.A. issued $1 billion in Subordinated Notes. These issuances were completed as private placements in accordance with the Office of the Comptroller of the Currency (OCC) rules for securities offerings by banks. Also in February, Wells Fargo Bank, N.A. filed with the OCC an Offering Circular to issue from time to time up to $20 billion in senior and subordinated notes. These issuances will be completed as private placements.

To accommodate future growth and current business needs, the Company has a capital expenditure program. Capital expenditures for 2001 are estimated to be approximately $500 million for equipment for stores, relocation and remodeling of Company facilities, routine replacement of furniture and equipment, and servers and other networking equipment related to expansion of the Company's Internet Services business. The Company will fund these expenditures from various sources, including retained earnings of the Company and borrowings of various maturities.

The Company and each of the subsidiary banks are subject to various regulatory capital adequacy requirements administered by the Federal Reserve Board and the Office of the Comptroller of the Currency. Risk-based capital (RBC) guidelines establish a risk-adjusted ratio relating capital to different categories of assets and off-balance sheet exposures. (See Note 22 to Financial Statements for additional information.)

Since 1986, the Company has repurchased common shares in the open market under a systematic plan to meet the common stock issuance requirements of the Company's benefit plans and for acquisitions accounted for as purchases. In February 2000, the Board of Directors authorized the repurchase of up to 81 million additional shares of the Company's outstanding common stock. In September 2000, the Board of Directors authorized an amendment reducing the February 2000 repurchase authorization to a total of 30 million shares. As of December 31, 2000, the total remaining common stock repurchase authority was approximately 5.5 million shares.

Comparison of 1999 to 1998

Net income in 1999 was $4,012 million, compared with $2,191 million in 1998, an increase of 83%. Diluted earnings per common share were $2.29 in 1999, compared with $1.26 in 1998, an increase of 82%. ROA was 1.78% and ROE was 17.55% in 1999, compared with 1.06% and 10.26%, respectively, in 1998.

Diluted earnings before the amortization of goodwill and CDI ("cash" earnings) were $2.62 per share in 1999, compared with $1.59 in 1998. On the same basis, ROA was 2.13% and ROE was 32.85% in 1999, compared with 1.39% and 21.90%, respectively, in 1998.

Net interest income on a taxable-equivalent basis was $10,185 million in 1999, compared with $9,739 million in 1998. The Company's net interest margin was 5.47% for 1999, compared with 5.63% in 1998. The decrease in the net interest margin for 1999 was primarily due to higher balances of lower yielding investment securities and lower yields on loans.

Noninterest income in 1999 was $7,975 million, compared with $6,920 million in 1998, an increase of 15%. The increase was primarily due to higher net venture capital gains, partly offset by losses on sales of investment securities.

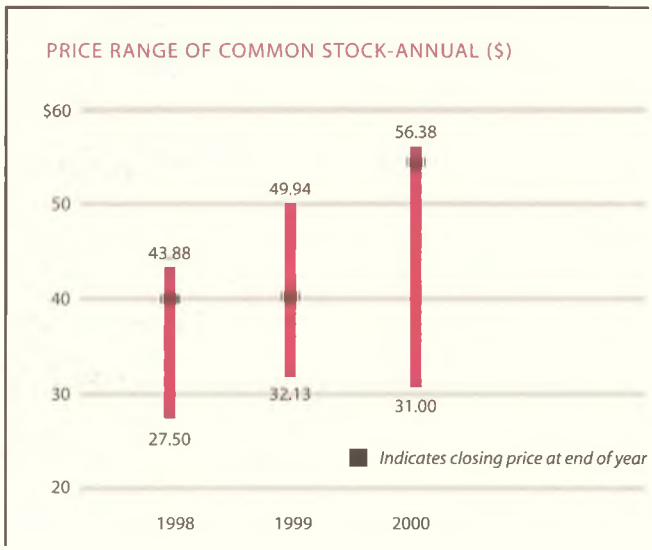
Noninterest expense in 1999 was $10,637 million, compared with $11,311 million in 1998. The decrease was primarily due to charges incurred in 1998 related to the WFC Merger.

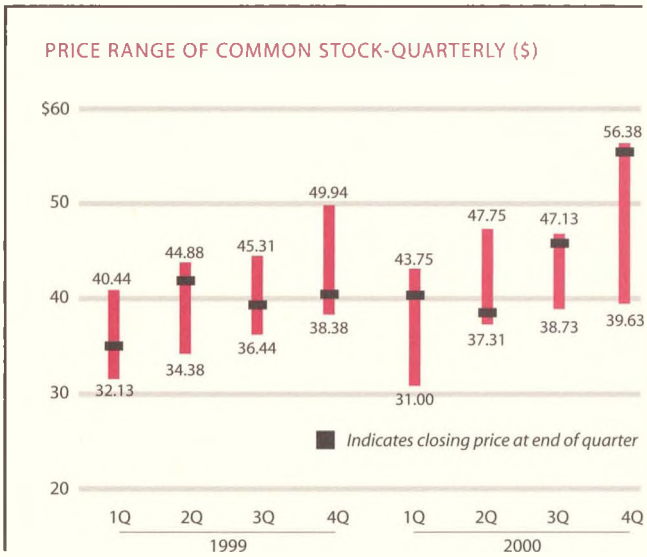
The provision for loan losses was $1,104 million in 1999, compared with $1,617 million in 1998. Net charge-offs in 1999 were $1,115 million, or .90% of average total loans, compared with $1,678 million, or 1.44%, in 1998. The allowance for loan losses was 2.51% of total loans at December 31, 1999, compared with 2.76% at December 31, 1998.

Total nonaccrual and restructured loans were $728 million, or .5% of total loans, at December 31, 1999, compared with $756 million, or .6%, at December 31, 1998. Foreclosed assets were $161 million at December 31, 1999, compared with $152 million at December 31, 1998.

Additional Information

Common stock of the Company is traded on the New York Stock Exchange and the Chicago Stock Exchange. The high, low and end-of-period annual and quarterly prices of the Company's common stock as reported on the New York Stock Exchange Composite Transaction Reporting System are presented in the graphs. The number of holders of record of the Company's common stock was 99,260 as of January 31, 2001.





Wells Fargo & Company and Subsidiaries

Consolidated Statement of Income

(in millions, except per share amounts)	Year ended December 31		
	2000	1999	1998
INTEREST INCOME			
Securities available for sale	$ 2,671	$ 2,533	$ 2,133
Mortgages held for sale	849	951	1,008
Loans held for sale	418	377	376
Loans	14,446	11,823	11,660
Other interest income	341	250	278
Total interest income	18,725	15,934	15,455
INTEREST EXPENSE			
Deposits	4,089	3,166	3,515
Short-term borrowings	1,758	1,127	961
Long-term debt	1,939	1,452	1,213
Guaranteed preferred beneficial interests in Company's subordinated debentures	74	73	93
Total interest expense	7,860	5,818	5,782
NET INTEREST INCOME	10,865	10,116	9,673
Provision for loan losses	1,329	1,104	1,617
Net interest income after provision for loan losses	9,536	9,012	8,056
NONINTEREST INCOME			
Service charges on deposit accounts	1,704	1,580	1,448
Trust and investment fees	1,624	1,366	1,116
Credit card fees	563	570	573
Other fees	1,271	1,094	989
Mortgage banking	1,444	1,407	1,289
Insurance	411	395	358
Net venture capital gains	1,943	1,008	113
Net (losses) gains on securities available for sale	(722)	(228)	177
Other	605	783	857
Total noninterest income	8,843	7,975	6,920
NONINTEREST EXPENSE			
Salaries	3,652	3,307	3,318
Incentive compensation	846	643	657
Employee benefits	989	901	807
Equipment	948	928	976
Net occupancy	953	813	804
Goodwill	530	459	429
Core deposit intangible	186	206	247
Net (gains) losses on dispositions of premises and equipment	(58)	(16)	325
Other	3,784	3,396	3,748
Total noninterest expense	11,830	10,637	11,311
INCOME BEFORE INCOME TAX EXPENSE	6,549	6,350	3,665
Income tax expense	2,523	2,338	1,474
NET INCOME	$ 4,026	$ 4,012	$ 2,191
NET INCOME APPLICABLE TO COMMON STOCK	$ 4,009	$ 3,977	$ 2,156
EARNINGS PER COMMON SHARE	$ 2.36	$ 2.32	$ 1.28
DILUTED EARNINGS PER COMMON SHARE	$ 2.33	$ 2.29	$ 1.26
DIVIDENDS DECLARED PER COMMON SHARE	$ .90	$ .785	$ .70
Average common shares outstanding	1,699.5	1,714.0	1,688.1
Diluted average common shares outstanding	1,718.4	1,735.4	1,710.6

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Balance Sheet

(in millions, except shares)	December 31, 2000	1999
ASSETS		
Cash and due from banks	$ 16,978	$ 14,118
Federal funds sold and securities purchased under resale agreements	1,598	1,722
Securities available for sale	38,655	43,911
Mortgages held for sale	11,812	12,678
Loans held for sale	4,539	5,043
Loans	161,124	133,004
Allowance for loan losses	3,719	3,344
Net loans	157,405	129,660
Mortgage servicing rights	5,609	4,652
Premises and equipment, net	3,415	3,372
Core deposit intangible	1,183	1,299
Goodwill	9,303	8,046
Interest receivable and other assets	21,929	16,552
Total assets	$272,426	$241,053
LIABILITIES		
Noninterest-bearing deposits	$ 55,096	$ 45,520
Interest-bearing deposits	114,463	100,398
Total deposits	169,559	145,918
Short-term borrowings	28,989	31,727
Accrued expenses and other liabilities	14,409	11,736
Long-term debt	32,046	26,866
Guaranteed preferred beneficial interests in Company's subordinated debentures	935	935
STOCKHOLDERS' EQUITY		
Preferred stock	385	344
Unearned ESOP shares	(118)	(73)
Total preferred stock	267	271
Common stock–$1 2/3 par value, authorized 4,000,000,000 shares; issued 1,736,381,025 shares and 1,736,259,632 shares	2,894	2,894
Additional paid-in capital	9,337	9,213
Retained earnings	14,541	12,565
Cumulative other comprehensive income	524	760
Notes receivable from ESOP	—	(1)
Treasury stock — 21,735,182 shares and 39,840,269 shares	(1,075)	(1,831)
Total stockholders' equity	26,488	23,871
Total liabilities and stockholders' equity	$272,426	$241,053

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Changes in Stockholders' Equity and Comprehensive Income

(in millions, except shares)	Number of shares	Preferred stock	Unearned ESOP shares	Common stock	Additional paid-in capital	Retained earnings	Notes receivable from ESOP	Treasury stock	Cumulative other comprehensive income	Total stock-holders' equity
BALANCE DECEMBER 31, 1997		$544	$ (80)	$2,828	$8,365	$ 9,358	$(10)	$ (328)	$487	$21,164
Comprehensive income										
Net income-1998						2,191				2,191
Other comprehensive income, net of tax:										
Translation adjustments									(4)	(4)
Net unrealized gains (losses) on securities available for sale arising during the year									119	119
Reclassification of net (gains) losses on securities available for sale included in net income									(109)	(109)
Total comprehensive income										2,197
Common stock issued	40,124,541			51	946	(191)		320		1,126
Common stock issued for acquisitions	18,099,205			25	71	11		134		241
Common stock repurchased	34,300,254			(22)	(407)			(829)		(1,258)
Preferred stock issued to ESOP		35	(37)		2					—
Preferred stock released to ESOP			33		(1)					32
Preferred stock (31,161) converted to common shares	803,903	(32)			3			29		—
Preferred stock dividends						(35)				(35)
Common stock dividends						(1,078)				(1,078)
Cash payments received on notes receivable from ESOP					2		7			9
Change in Rabbi trust assets (classified as treasury stock)								(66)		(66)
Net change		3	(4)	54	616	898	7	(412)	6	1,168
BALANCE DECEMBER 31, 1998		547	(84)	2,882	8,981	10,256	(3)	(740)	493	22,332
Comprehensive income										
Net income-1999						4,012				4,012
Other comprehensive income, net of tax:										
Translation adjustments									4	4
Net unrealized gains (losses) on securities available for sale arising during the year									127	127
Reclassification of net (gains) losses on securities available for sale included in net income									136	136
Total comprehensive income										4,279
Common stock issued	21,793,709			1	119	(269)		781		632
Common stock issued for acquisitions	11,059,131			11	113	2		200		326
Common stock repurchased	48,974,800							(2,141)		(2,141)
Preferred stock redeemed		(191)								(191)
Preferred stock issued to ESOP		75	(80)		5					—
Preferred stock released to ESOP			91		(5)					86
Preferred stock (86,358) converted to common shares	2,200,716	(87)						87		—
Preferred stock dividends						(35)				(35)
Common stock dividends						(1,401)				(1,401)
Cash payments received on notes receivable from ESOP							2			2
Change in Rabbi trust assets (classified as treasury stock)								(18)		(18)
Net change		(203)	11	12	232	2,309	2	(1,091)	267	1,539
BALANCE DECEMBER 31, 1999		344	(73)	2,894	9,213	12,565	(1)	(1,831)	760	23,871
Comprehensive income										
Net income-2000						4,026				4,026
Other comprehensive income, net of tax:										
Translation adjustments									(2)	(2)
Net unrealized gains (losses) on securities available for sale arising during the year									(144)	(144)
Reclassification of net (gains) losses on securities available for sale included in net income									(90)	(90)
Total comprehensive income										3,790
Common stock issued	17,614,859			1	295	(458)		716		554
Common stock issued for acquisitions	75,554,229				(185)	(6)		3,128		2,937
Common stock repurchased	78,573,812			(1)	(42)			(3,195)		(3,238)
Stock appreciation rights					48					48
Preferred stock repurchased		(1)								(1)
Preferred stock issued to ESOP		170	(181)		11					—
Preferred stock released to ESOP			136		(8)					128
Preferred stock (122,288) converted to common shares	3,036,660	(128)			5			123		—
Preferred stock dividends						(17)				(17)
Common stock dividends						(1,569)				(1,569)
Cash payments received on notes receivable from ESOP							1			1
Change in Rabbi trust assets (classified as treasury stock)								(16)		(16)
Net change		41	(45)	—	124	1,976	1	756	(236)	2,617
BALANCE DECEMBER 31, 2000		$385	$(118)	$2,894	$9,337	$14,541	$ —	$(1,075)	$524	$26,488

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Cash Flows

(in millions)	Year ended December 31,		
	2000	1999	1998
Cash flows from operating activities:			
Net income	**$ 4,026**	$ 4,012	$ 2,191
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**1,329**	1,104	1,617
Depreciation and amortization	**1,790**	1,971	2,231
Securities available for sale losses (gains)	**722**	228	(177)
Net venture capital gains	**(1,943)**	(1,008)	(113)
Net gains on sales of mortgages	**(38)**	(117)	(182)
Net losses (gains) on sales of loans	**134**	(68)	(94)
Net gains on disposition of operations	**(23)**	(107)	(100)
Net (gains) losses on dispositions of premises and equipment	**(58)**	(16)	325
Release of preferred shares to ESOP	**128**	86	32
Net (increase) decrease in trading assets	**(1,087)**	(462)	468
Deferred income tax expense (benefit)	**873**	1,611	(53)
Net increase in accrued interest receivable	**(230)**	(113)	(11)
Net increase (decrease) in accrued interest payable	**290**	(36)	(2)
Originations of mortgages held for sale	**(66,779)**	(94,988)	(124,959)
Proceeds from sales of mortgages held for sale	**62,873**	105,159	114,930
Net increase in loans held for sale	**(1,498)**	(874)	(822)
Other assets, net	**(2,060)**	(1,428)	(138)
Other accrued expenses and liabilities, net	**2,436**	1,321	621
Net cash provided (used) by operating activities	**885**	16,275	(4,236)
Cash flows from investing activities:			
Securities available for sale:			
Proceeds from sales	**23,624**	15,150	11,449
Proceeds from prepayments and maturities	**6,247**	8,757	12,419
Purchases	**(19,770)**	(29,917)	(27,192)
Net cash acquired from (paid for) acquisitions	**469**	(69)	(222)
Net increase in banking subsidiaries' loans resulting from originations and collections	**(31,392)**	(11,494)	(5,126)
Proceeds from sales (including participations) of banking subsidiaries' loans	**11,898**	3,986	2,832
Purchases (including participations) of banking subsidiaries' loans	**(409)**	(1,246)	(135)
Principal collected on nonbank subsidiaries' loans	**8,305**	4,844	7,788
Nonbank subsidiaries' loans originated	**(9,300)**	(9,002)	(8,962)
Cash proceeds from (paid for) dispositions of operations	**13**	(731)	484
Proceeds from sales of foreclosed assets	**255**	234	279
Net decrease (increase) in federal funds sold and securities purchased under resale agreements	**124**	25	(492)
Net increase in mortgage servicing rights	**(1,460)**	(2,094)	(913)
Other, net	**(4,688)**	(2,366)	(2,956)
Net cash used by investing activities	**(16,084)**	(23,923)	(10,747)
Cash flows from financing activities:			
Net increase (decrease) in deposits	**20,745**	(4,868)	7,446
Net (decrease) increase in short-term borrowings	**(3,511)**	11,912	2,912
Proceeds from issuance of long-term debt	**15,544**	13,325	9,642
Repayment of long-term debt	**(9,849)**	(8,981)	(5,748)
Proceeds from issuance of common stock	**422**	528	1,115
Redemption of preferred stock	**—**	(191)	—
Repurchases of common stock	**(3,238)**	(2,141)	(1,258)
Net decrease in notes receivable from ESOP	**—**	2	9
Payment of cash dividends on preferred and common stock	**(1,586)**	(1,436)	(1,113)
Other, net	**(468)**	(36)	1,444
Net cash provided by financing activities	**18,059**	8,114	14,449
Net change in cash and due from banks	**2,860**	466	(534)
Cash and due from banks at beginning of year	**14,118**	13,652	14,186
Cash and due from banks at end of year	**$16,978**	$ 14,118	$ 13,652
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	**$ 8,150**	$ 5,855	$ 5,784
Income taxes	**$ 817**	$ 1,022	$ 1,350
Noncash investing and financing activities:			
Transfers from mortgages held for sale to loans	**$ 4,813**	$ 67	$ —
Transfers from loans held for sale to loans	**$ 1,388**	$ 1,221	$ —
Transfers from loans to foreclosed assets	**$ 189**	$ 220	$ 223

The accompanying notes are an integral part of these statements.

Note 1: Summary of Significant Accounting Policies

Wells Fargo & Company and Subsidiaries (the Company) is a diversified financial services company providing banking, mortgage and consumer finance through stores, the Internet and other distribution channels throughout North America, including all 50 states, and elsewhere internationally. Wells Fargo & Company (the Parent) is a financial holding company and a bank holding company.

The accounting and reporting policies of the Company conform with generally accepted accounting principles (GAAP) and prevailing practices within the financial services industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could differ from those estimates. Certain amounts in the financial statements for prior years have been reclassified to conform with the current financial statement presentation.

On October 25, 2000, the merger involving the Company and First Security Corporation (the FSCO Merger) was completed, with First Security Corporation (First Security or FSCO) surviving as a wholly owned subsidiary of the Company. On November 2, 1998, the merger involving Norwest Corporation and the former Wells Fargo & Company (the WFC Merger) was completed. The FSCO Merger and the WFC Merger were accounted for under the pooling-of-interests method of accounting and, accordingly, the information included in the financial statements presents the combined results as if both mergers had been in effect for all periods presented.

The following is a description of the significant accounting policies of the Company.

Consolidation

The consolidated financial statements of the Company include the accounts of the Parent, and its majority-owned subsidiaries, which are consolidated on a line-by-line basis. Significant intercompany accounts and transactions are eliminated in consolidation. Other subsidiaries and affiliates in which there is at least 20% ownership are generally accounted for by the equity method; those in which there is less than 20% ownership are generally carried at cost. These assets that are accounted for by either the equity or cost method are included in other assets.

Securities

Securities are accounted for according to their purpose and holding period.

SECURITIES AVAILABLE FOR SALE Debt securities that may not be held until maturity and marketable equity securities are classified as securities available for sale and are reported at fair value, with unrealized gains and losses, after applicable taxes, reported as a component of cumulative other comprehensive income. The estimated fair value of a security is determined based on current quotations, where available. Where current quotations are not available, the estimated fair value is determined based primarily on the present value of future cash flows, adjusted for the quality rating of the securities, prepayment assumptions and other factors. Declines in the value of debt securities and marketable equity securities that are considered other than temporary are recorded in noninterest income as a loss on securities available for sale. Realized gains and losses are recorded in noninterest income using the identified certificate method. For certain debt securities (for example, Government National Mortgage Association securities), the Company anticipates prepayments of principal in the calculation of the effective yield.

TRADING SECURITIES Securities acquired for short-term appreciation or other trading purposes are recorded in a trading portfolio and are carried at fair value, with unrealized gains and losses recorded in noninterest income.

NONMARKETABLE EQUITY SECURITIES Nonmarketable equity securities include the venture capital equity securities that are not publicly traded and securities acquired for various purposes, such as troubled debt restructurings and as a regulatory requirement (for example, Federal Reserve Bank stock). These securities are generally accounted for at cost and are included in other assets. The asset value is reduced when declines in value are considered to be other than temporary and the estimated loss is recorded in noninterest income as a loss from equity investments along with income recognized on these assets.

Mortgages Held For Sale

Mortgages held for sale are stated at the lower of aggregate cost or market value. The determination of market value includes consideration of all open positions, outstanding commitments from investors, related fees paid and related hedging gains and losses. Gains and losses on sales of mortgages are recognized at settlement dates and are determined by the difference between sales proceeds and the carrying value of the mortgages. Gains and losses are recorded in noninterest income.

Loans Held For Sale

Loans held for sale include those student loans which are classified as held for sale because the Company does not intend to hold these loans until maturity or sales of the loans are pending. Such loans are carried at the lower of aggregate cost or market value. Gains and losses are recorded in noninterest income, based on the difference between sales proceeds and carrying value.

Loans

Loans are reported at the principal amount outstanding, net of unearned income. Unearned income, which includes deferred fees net of deferred direct incremental loan origination costs, is amortized to interest income generally over the contractual life of the loan using an interest method or the straight-line method if it is not materially different.

NONACCRUAL LOANS Generally, loans are placed on nonaccrual status upon becoming 90 days past due as to interest or principal (unless both well-secured and in the process of collection), when the full timely collection of interest or principal becomes uncertain or when a portion of the principal balance has been charged off. Real estate 1-4 family loans (both first liens and junior liens) are placed on nonaccrual status within 120 days of becoming past due as to interest or principal, regardless of security. Generally, consumer loans not secured by real estate are placed on nonaccrual status only when a portion of the principal has been charged off. Such loans are entirely charged off when deemed uncollectible or when they reach a predetermined number of days past due depending upon loan product, industry practice, country, terms and other factors.

When a loan is placed on nonaccrual status, the accrued and unpaid interest receivable is reversed and the loan is accounted for on the cash or cost recovery method thereafter, until qualifying for return to accrual status. Generally, a loan may be returned to accrual status when all delinquent interest and principal become current in accordance with the terms of the loan agreement or when the loan is both well-secured and in the process of collection and collectibility is no longer doubtful.

IMPAIRED LOANS Loans, other than those included in large groups of smaller-balance homogeneous loans, are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement, including scheduled interest payments. For a loan that has been restructured, the contractual terms of the loan agreement refer to the contractual terms specified by the original loan agreement, not the contractual terms specified by the restructuring agreement.

This assessment for impairment occurs when and while such loans are on nonaccrual, or the loan has been restructured. When a loan with unique risk characteristics has been identified as being impaired, the amount of impairment will be measured by the Company using discounted cash flows, except when it is determined that the sole (remaining) source of repayment for the loan is the operation or liquidation of the underlying collateral. In such cases, the current fair value of the collateral, reduced by costs to sell, will be used in place of discounted cash flows. Additionally, some impaired loans with commitments of less than $1 million are aggregated for the purpose of measuring impairment using historical loss factors as a means of measurement.

If the measurement of the impaired loan is less than the recorded investment in the loan (including accrued interest, net deferred loan fees or costs and unamortized premium or discount), an impairment is recognized by creating or adjusting an existing allocation of the allowance for loan losses.

RESTRUCTURED LOANS In cases where a borrower experiences financial difficulties and the Company makes certain concessionary modifications to contractual terms, the loan is classified as a restructured (accruing) loan. Loans restructured at a rate equal to or greater than that of a new loan with comparable risk at the time the contract is modified may be excluded from the impairment assessment and may cease to be considered impaired loans in the calendar years subsequent to the restructuring if they are not impaired based on the modified terms.

Generally, a nonaccrual loan that is restructured remains on nonaccrual for a period of six months to demonstrate that the borrower can meet the restructured terms. However, performance prior to the restructuring, or significant events that coincide with the restructuring, are included in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual at the time of restructuring or after a shorter performance period. If the borrower's ability to meet the revised payment schedule is uncertain, the loan remains classified as a nonaccrual loan.

ALLOWANCE FOR LOAN LOSSES The allowance for loan losses is a valuation allowance for probable losses inherent in the portfolio as of the balance sheet date. The Company's determination of the level of the allowance for loan losses rests upon various judgments and assumptions, including general economic conditions, loan portfolio composition, prior loan loss experience, evaluation of credit risk related to certain individual borrowers and the Company's ongoing examination process and that of its regulators. The Company considers the allowance for loan losses adequate to cover losses inherent in loans, loan commitments and standby and other letters of credit.

Transfers and Servicing of Financial Assets

A transfer of financial assets is accounted for as a sale when control is surrendered over the assets transferred. Servicing rights and other retained interests in the assets sold are recorded by allocating the previous recorded investment between the asset sold and the interest retained based on their relative fair values, if practicable to determine, at the date of transfer. Fair values of servicing rights and other retained interests are determined using present value of estimated future cash flows valuation techniques, incorporating assumptions that market participants would use in their estimates of values.

The Company recognizes as assets the rights to service mortgage loans for others, whether the servicing rights are

acquired through purchases or retained upon sales of loan originations. For purposes of evaluating and measuring impairment of mortgage servicing rights, the Company stratifies its portfolio on the basis of certain risk characteristics including loan type and note rate. Based upon current fair values and considering derivative financial instruments used as hedges, mortgage servicing rights are periodically assessed for impairment. Any such indicated impairment is recognized in income, during the period in which it occurs, in a mortgage servicing rights valuation account which is adjusted each subsequent period to reflect any increase or decrease in the indicated impairment. The current fair values of mortgage servicing rights and other retained interests are determined using present value of estimated future cash flows valuation techniques, incorporating assumptions that market participants would use in their estimates of values. Mortgage servicing rights are amortized over the period of estimated net servicing income and take into account appropriate prepayment assumptions.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Capital leases are included in premises and equipment at the capitalized amount less accumulated amortization.

Depreciation and amortization are computed primarily using the straight-line method. Estimated useful lives range up to 40 years for buildings, 2 to 10 years for furniture and equipment, and up to the lease term for leasehold improvements. Capitalized leased assets are amortized on a straight-line basis over the lives of the respective leases, which generally range from 20 to 35 years.

Goodwill and Identifiable Intangible Assets

Goodwill, representing the excess of purchase price over the fair value of net assets acquired, results from purchase acquisitions made by the Company. Substantially all of the Company's goodwill is being amortized using the straight-line method over 25 years. Core deposit intangibles are amortized on an accelerated basis based on an estimated useful life of 10 to 15 years. Certain identifiable intangible assets that are included in other assets are generally amortized using an accelerated method over an original life of 10 to 15 years.

The Company reviews its intangible assets periodically for other-than-temporary impairment. If such impairment is indicated, recoverability of the asset is assessed based on expected undiscounted net cash flows.

Income Taxes

The Company files a consolidated federal income tax return. Federal income tax is generally allocated to individual subsidiaries as if each had filed a separate return. Combined state tax returns are filed in certain states. State taxes are also allocated to individual subsidiaries.

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. Foreign taxes paid are applied as credits to reduce federal income taxes payable.

Earnings Per Common Share

Earnings per common share are presented under two formats: earnings per common share and diluted earnings per common share. Earnings per common share are computed by dividing net income (after deducting dividends on preferred stock) by the average number of common shares outstanding during the year. Diluted earnings per common share are computed by dividing net income (after deducting dividends on preferred stock) by the average number of common shares outstanding during the year, plus the impact of those common stock equivalents (i.e., stock options, restricted share rights and convertible subordinated debentures) that are dilutive.

Derivative Financial Instruments

INTEREST RATE DERIVATIVES Prior to the adoption of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and FASB Statement No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, an amendment of Statement 133, on January 1, 2001, the Company used interest rate derivative financial instruments (e.g., futures contracts, forward contracts, swaps, caps, floors and options) primarily to hedge mismatches in the rate maturity of loans and their funding sources and the price risk of interest-rate sensitive assets. Those instruments served to reduce rather than increase the Company's exposure to movements in interest rates. At inception of a hedge, the Company identified an individual asset or liability, or an identifiable group of essentially similar assets or liabilities, that exposed the Company to interest rate risk at the consolidated or enterprise level. Interest rate derivatives were accounted for by the deferral or accrual method only if they were designated as hedges and were expected to be and were effective in substantially reducing the risk arising from the asset or liability identified as exposing the Company to risk. Futures contracts had to meet specific high correlation tests. For caps, floors and swaps that were used to hedge mismatches between interest-bearing assets and liabilities, their notional amount, interest rate index and life had to closely match the related terms of the hedged asset or liability. Floors, swaps and options that hedged mortgage servicing rights had to correlate based on certain duration and convexity

parameters. For futures contracts, if the underlying financial instrument differed from the hedged asset or liability, there had to be a clear economic relationship between the prices of the two financial instruments. If periodic assessment indicated that the derivatives no longer provided an effective hedge, hedge accounting was discontinued; previously unrecognized hedge results and the net settlement upon close-out or termination that offset changes in value of the hedged asset or liability were deferred and amortized over the life of the asset or liability with excess amounts recognized in noninterest income or noninterest expense.

Gains and losses on futures contracts, which resulted from the daily settlement of open positions, and on forward contracts were deferred and classified on the balance sheet consistent with the hedge strategy. They were recognized in income along with and when the effects of the related changes of the hedged asset or liability were recognized. Gains and losses on options were recognized as a component of the income reported on the hedged asset or liability. Fees associated with these financial contracts were included on the balance sheet at the time that the fee was paid and were classified consistent with the hedge strategy. Those fees were fully recognized by the end of their contractual life.

If a hedged asset or liability settled before maturity of the hedging interest rate derivatives, the derivatives were closed out or settled, or were redesignated as hedges of other assets or liabilities. For those contracts that were closed out or settled, previously unrecognized hedge results and the net settlement upon close-out or termination are accounted for as part of the gains and losses on the hedged asset or liability. If interest rate derivatives used in an effective hedge were closed out or terminated before the hedged item settled, previously unrecognized hedge results and the net settlement upon close-out or termination were deferred and amortized over the life of the hedged asset or liability. Cash flows resulting from interest rate derivatives (including any related fees) that were accounted for as hedges of assets and liabilities were classified in the cash flow statement in the same category as the cash flows from the items being hedged and were reflected in that statement when the cash receipts or payments due under the terms of the instruments were collected, paid or settled.

Interest rate derivatives entered into as an accommodation to customers, interest rate derivatives used to offset the interest rate risk of those contracts and positions taken based on the Company's market expectations or to benefit from price differentials between financial instruments and markets were carried at fair value with unrealized gains and losses recorded in noninterest income. Losses were recognized currently on put options written when the fair value of the underlying security fell below the contractual price at which the security may have been put to the Company plus the premium received. Premiums received on covered call options written were deferred until the option terminates. If the fair value of the underlying asset was greater than the contractual price at which the Company was required to sell the asset, the option was exercised, at which time the premium was recorded as an adjustment of the gain or loss recognized on the underlying asset. If the option expired, the premium was recognized in other noninterest income. The fair value of interest rate derivative financial instruments with an unrealized gain was included in trading assets (i.e., within other assets) while the fair value of instruments with an unrealized loss was included in other liabilities. Cash flows resulting from instruments carried at fair value were classified in the cash flow statement as operating cash flows and were reflected in that statement when the cash receipts or payments due under the terms of the instruments were collected, paid or settled.

Credit risk related to interest rate derivative financial instruments is considered and, if material, provided for separately from the allowance for loan losses.

FOREIGN EXCHANGE DERIVATIVES The Company enters into foreign exchange derivative financial instruments (forward and spot contracts and options) primarily as an accommodation to customers and offsets the related foreign exchange risk with other foreign exchange derivatives. Those contracts are carried at fair value, with unrealized gains and losses recorded in noninterest income. Cash flows resulting from foreign exchange derivatives are classified in the cash flow statement as operating cash flows and are reflected in that statement when the cash receipts or payments due under the terms of the foreign exchange derivatives are collected, paid or settled.

The Company also uses forward foreign exchange contracts to hedge uncertainties in funding costs related to specific liabilities denominated in foreign currencies. Gains and losses on those contracts are recognized in income and classified on the balance sheet consistent with the hedged item. Cash flows resulting from these foreign exchange derivatives (including any related fees) are classified in the cash flow statement in the same category as the cash flows from the item being hedged and are reflected in that statement when the cash receipts or payments due under the terms of the instruments are collected, paid or settled.

Credit risk related to all foreign exchange derivatives is considered and, if material, provided for separately from the allowance for loan losses.

Foreign Currency Translation

The accounts of the Company's foreign consumer finance subsidiaries are measured using local currency as the functional currency. Assets and liabilities are translated into United States dollars at period-end exchange rates, and income and expense accounts are translated at average monthly exchange rates. Net exchange gains or losses resulting from such translation are excluded from net income and included as a component of cumulative other comprehensive income.

Note 2: Business Combinations

The Company regularly explores opportunities to acquire financial institutions and related businesses. Generally, management of the Company does not make a public announcement about an acquisition opportunity until a definitive agreement is signed.

Excluding the FSCO Merger and the WFC Merger, the table below includes transactions completed in the years ended December 31, 2000, 1999 and 1998:

(in millions)	Date	Assets	Method of accounting
2000			
First Place Financial Corporation, Farmington, New Mexico	January 18	$ 733	Purchase
North County Bancorp, Escondido, California	January 27	413	Purchase
Prime Bancshares, Inc., Houston, Texas	January 28	1,366	Purchase
Ragen MacKenzie Group Incorporated, Seattle, Washington	March 16	901	Purchase
Napa National Bancorp, Napa, California	March 17	188	Purchase
Servus Financial Corporation, Herndon, Virginia	March 17	168	Purchase
Michigan Financial Corporation, Marquette, Michigan	March 30	975	Purchase
Bryan, Pendleton, Swats & McAllister, LLC, Nashville, Tennessee	March 31	12	Purchase
Black & Company, Inc., Portland, Oregon	May 1	4	Purchase
1st Choice Financial Corp., Greeley, Colorado	June 13	483	Purchase
First Commerce Bancshares, Inc., Lincoln, Nebraska	June 16	2,868	Purchase
National Bancorp of Alaska, Inc., Anchorage, Alaska	July 14	3,518	Purchase
Charter Financial, Inc., New York, New York	September 1	532	Purchase
Buffalo National Bancshares, Inc., Buffalo, Minnesota	September 28	123	Purchase
Brenton Banks, Inc., Des Moines, Iowa	December 1	2,191	Purchase
Paragon Capital, LLC, Needham, Massachusetts	December 15	13	Purchase
Flagship Credit Corporation, Philadelphia, Pennsylvania	December 21	841	Purchase of assets
		$15,329	
1999			
Mid-Penn Consumer Discount Company, Philadelphia, Pennsylvania	January 21	$ 11	Purchase
Century Business Credit Corporation, New York, New York	February 1	342	Purchase
Van Kasper & Company, San Francisco, California	February 12	20	Purchase
Metropolitan Bancshares, Inc., Aurora, Colorado	February 23	64	Purchase
Mercantile Financial Enterprises, Inc., Brownsville, Texas	February 26	779	Pooling of interests
Riverton State Bank Holding Company, Riverton, Wyoming	March 12	81	Purchase
Comstock Bancorp, Reno, Nevada	June 1	208	Purchase
Greater Midwest Leasing Company, Minneapolis, Minnesota	June 3	24	Purchase
XEON Financial Corporation, Stateline, Nevada	June 14	122	Purchase
Mustang Financial Corporation, Rio Vista, Texas	June 25	254	Purchase
Eastern Heights Bank, St. Paul, Minnesota	July 1	453	Purchase
Goodson Insurance Agency, Denver, Colorado	August 1	—	Purchase of assets
SB Insurance Company, Marshall, Minnesota	October 15	—	Purchase
Allied Leasing Company, Burnsville, Minnesota	November 1	17	Purchase
Eastdil Realty Company, L.L.C., New York, New York	November 16	9	Purchase
Texas Bancshares, Inc., San Antonio, Texas	December 16	370	Purchase
		$ 2,754	

(continued)

(in millions)	Date	Assets	Method of accounting
1998			
Finvercon S.A. Compania, Financiera, Argentina	January 8	$ 57	Purchase
Fidelity Bancshares, Inc., Fort Worth, Texas	January 13	111	Purchase
Rio Grande Bancshares, Inc., Las Cruces, New Mexico	February 2	417	Purchase
Heritage Trust Company, Grand Junction, Colorado	February 20	2	Purchase
Founders Trust Company, Dallas, Texas	March 2	2	Purchase
The T. Eaton Acceptance Company Limited and National Retail Credit Services Limited, Don Mills, Ontario, Canada	April 21	370	Purchase
WMC Mortgage Corporation, Woodland Hills, California	April 30	5	Purchase of assets
First Bank, Katy, Texas	May 22	310	Pooling of interests*
First Bank of Grants, Grants, New Mexico	May 28	45	Purchase
Spring Mountain Escrow Corporation, Irvine, California	May 29	1	Purchase
California State Bank, West Covina, California	May 30	864	Pooling of interests*
Emjay Corporation, Milwaukee, Wisconsin	June 15	6	Purchase
Six affiliated bank holding companies and related entities, located in Minnesota, Wisconsin, New Mexico, Arizona and Colorado, including MidAmerica	July 2, 23	1,317	Pooling of interests*
First Bancshares of Valley City, Inc., Valley City, North Dakota	July 31	96	Purchase
Peoples Insurance Agency, Inc., Valley City, North Dakota	July 31	—	Purchase
Star Bancshares, Inc., Austin, Texas	August 31	582	Pooling of interests*
Freedom Trailer Leasing, Inc., Chesterfield, Missouri	August 31	5	Purchase
Little Mountain Bancshares, Inc., Monticello, Minnesota	September 8	82	Purchase
First National Bank of Missouri City, Missouri City, Texas	October 30	91	Purchase
Franklin Bancshares, Inc., Franklin, Texas	December 1	72	Purchase
Marine National Bank, Irvine, California	December 21	259	Purchase
		$ 4,694	

* Pooling-of-interests transaction was not material to the Company's consolidated financial statements; accordingly, previously reported results were not restated.

In connection with the foregoing transactions, the Company paid cash in the aggregate amount of $396 million, $541 million and $413 million in 2000, 1999 and 1998, respectively, and issued aggregate common shares of 75.6 million, 11.1 million and 18.1 million in 2000, 1999 and 1998, respectively.

Merger Involving the Company and First Security

On October 25, 2000 the merger involving the Company and First Security Corporation was completed. Under the terms of the FSCO Merger agreement, stockholders of First Security received 0.355 shares of common stock of the Company for each share of common stock owned. Each outstanding and unexercised option granted by First Security was converted into an option to purchase common stock of the Company based on the agreed-upon exchange ratio of 0.355.

As a condition to the FSCO Merger, the Company was required by regulatory agencies to divest 39 stores in Idaho, New Mexico, Nevada and Utah having aggregate deposits of approximately $1.5 billion. In the fourth quarter of 2000, the Company entered into agreements to sell these stores. These sales are expected to be completed in the first quarter of 2001 and the Company expects to realize net gains of approximately $100 million.

Financial information for prior periods for the Company and First Security is shown in the table below.

(in millions)	Nine months ended September 30, 2000 (unaudited)	Year ended December 31, 1999	1998
Revenue			
Wells Fargo	$13,683	$16,775	$15,417
First Security	620[1]	1,319	1,178
Net Income (loss)			
Wells Fargo	$ 3,119	$ 3,747	$ 1,950
First Security	(220)[1]	273	248

(1) Amount not previously reported

The combined financial results of the Company include adjustments to conform the accounting policies of the Company and First Security, including the conformance of the postretirement transition obligation identified with the implementation of FAS 106, Employers' Accounting for Post Retirement Benefits Other than Pension Accounting Treatment and the conformance of the capitalization policies. The effect of these adjustments on the Company's results was not material.

Merger Involving Norwest and the former Wells Fargo

On November 2, 1998, the WFC Merger involving Norwest Corporation and the former Wells Fargo & Company was completed. In connection with that merger, the Company recorded approximately $600 million of restructuring charges in the fourth quarter of 1998. The restructuring plans are evaluated on a regular basis during the integration process. The charges included an accrual for severance-related costs of $250 million associated with the elimination of about 5% of the Company's positions, most of which occurred by December 31, 2000. This accrual was determined based on the Company's existing severance plans for involuntary terminations. In the fourth quarter of 2000, the Company reduced its estimate of severance-related costs by $58 million due to higher retention of employees than originally planned because of better than expected results from the Company's employee retention program and higher than expected voluntary terminations due to a robust job market. About 3,500 employees, representing approximately $170 million in severance benefits, had entered the severance process through December 31, 2000. The restructuring charges also included approximately $250 million related to expected dispositions of leased and owned premises held for remarketing or sale and $100 million of other costs associated with exiting activities due to the WFC Merger. Most of the reserve for those costs was utilized as of December 31, 2000 and the remaining balance at December 31, 2000 was not significant.

Note 3: Cash, Loan and Dividend Restrictions

Federal Reserve Board (FRB) regulations require reserve balances on deposits to be maintained by each of the banking subsidiaries with the Federal Reserve Banks. The average required reserve balance was $2.0 billion and $2.1 billion in 2000 and 1999, respectively.

Federal law prevents the Company and its nonbank subsidiaries from borrowing from its subsidiary banks unless the loans are secured by specified collateral. Such secured loans by any subsidiary bank are generally limited to 10% of the subsidiary bank's capital and surplus (as defined, which for this purpose represents Tier 1 and Tier 2 capital, as calculated under the risk-based capital guidelines, plus the balance of the allowance for loan losses excluded from Tier 2 capital) and aggregate loans to the Company and its nonbank subsidiaries are limited to 20% of the subsidiary bank's capital and surplus. (For further discussion of risk-based capital, see Note 22 to Financial Statements.)

The payment of dividends by subsidiary banks is subject to various federal and state regulatory limitations. Dividends payable by a national bank without the express approval of the Office of the Comptroller of the Currency (OCC) are limited to that bank's retained net profits for the preceding two calendar years plus retained net profits up to the date of any dividend declaration in the current calendar year. Retained net profits are defined by the OCC as net income less dividends declared during the period as determined based on regulatory accounting principles. The Company also has state-chartered subsidiary banks that are subject to state regulations that limit dividends. Under those provisions, the Company's national and state-chartered subsidiary banks could have declared dividends of $650 million and $1,571 million in 2000 and 1999, respectively, without obtaining prior regulatory approval. In addition, the Company's non-bank subsidiaries could have declared dividends of $1,889 million and $1,231 million at December 31, 2000 and 1999, respectively.

Note 4: Securities Available for Sale

The following table provides the cost and fair value for the major components of securities available for sale carried at fair value. There were no securities classified as held to maturity at the end of 2000 or 1999.

(in millions)	December 31, 2000				December 31, 1999			
	Cost	Estimated unrealized gross gains	Estimated unrealized gross losses	Estimated fair value	Cost	Estimated unrealized gross gains	Estimated unrealized gross losses	Estimated fair value
Securities of U.S. Treasury and federal agencies	$ 2,739	$ 49	$ 5	$ 2,783	$ 6,426	$ 13	$ 348	$ 6,091
Securities of U.S. states and political subdivisions	2,322	90	12	2,400	2,352	50	35	2,367
Mortgage-backed securities:								
Federal agencies	26,304	838	147	26,995	26,239	110	477	25,872
Private collateralized mortgage obligations [1]	1,455	43	52	1,446	3,747	12	106	3,653
Total mortgage-backed securities	27,759	881	199	28,441	29,986	122	583	29,525
Other	2,588	37	123	2,502	2,544	8	114	2,438
Total debt securities	35,408	1,057	339	36,126	41,308	193	1,080	40,421
Marketable equity securities	2,457	563	491	2,529	1,526	1,992	28	3,490
Total	$37,865	$1,620	$830	$38,655	$42,834	$2,185	$1,108	$43,911

(1) Substantially all private collateralized mortgage obligations are AAA-rated bonds collateralized by 1-4 family residential first mortgages.

At December 31, 2000, the Company held no securities of any single issuer (excluding the U.S. Treasury and federal agencies) with a book value that exceeded 10% of stockholders' equity.

Securities pledged where the secured party has the right to sell or repledge totaled $1.3 billion at December 31, 2000. Securities pledged where the secured party does not have the right to sell or repledge totaled $17 billion at December 31, 2000 and $15 billion at December 31,1999 and are primarily pledged to secure trust and public deposits and for other purposes as required or permitted by law. The Company has accepted collateral in the form of securities that it has the right to sell or repledge of $1.6 billion at December 31, 2000.

The table to the right provides the components of the realized net (loss) gain on securities from the securities available for sale portfolio. (Realized gains on marketable equity securities from venture capital investments are reported as net venture capital gains.)

(in millions)	Year ended December 31,		
	2000	1999	1998
Realized gross gains	$ 334	$ 91	$217
Realized gross losses	(1,056)	(319)	(40)
Realized net (loss) gain	$ (722)	$(228)	$177

The table below provides the remaining contractual principal maturities and yields (taxable-equivalent basis) of debt securities available for sale. The remaining contractual principal maturities for mortgage-backed securities were allocated assuming no prepayments. Expected remaining maturities will differ from contractual maturities because borrowers may have the right to prepay obligations with or without penalties.

(in millions)	December 31, 2000									
			Remaining contractual principal maturity							
	Total amount	Weighted average yield	Within one year		After one year through five years		After five years through ten years		After ten years	
			Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Securities of U.S. Treasury and federal agencies	$ 2,783	6.61%	$ 603	6.52%	$1,979	6.63%	$ 170	6.68%	$ 31	6.95%
Securities of U.S. states and political subdivisions	2,400	7.45	159	7.69	462	7.44	637	7.41	1,142	7.44
Mortgage-backed securities:										
Federal agencies	26,995	7.41	151	7.45	362	7.60	695	7.88	25,787	7.39
Private collateralized mortgage obligations	1,446	9.08	6	6.94	7	8.76	453	7.86	980	9.66
Total mortgage-backed securities	28,441	7.49	157	7.43	369	7.62	1,148	7.87	26,767	7.48
Other	2,502	8.18	206	7.23	748	8.65	1,088	8.21	460	7.79
ESTIMATED FAIR VALUE OF DEBT SECURITIES [1]	$36,126	7.47%	$1,125	6.94%	$3,558	7.26%	$3,043	7.83%	$28,400	7.48%
TOTAL COST OF DEBT SECURITIES	$35,408		$1,115		$3,529		$3,041		$27,723	

(1) The weighted average yield is computed using the amortized cost of debt securities available for sale.

Note 5: Loans and Allowance for Loan Losses

A summary of the major categories of loans outstanding and related unfunded commitments is shown in the following table. Unfunded commitments are defined as all legally binding agreements to extend credit, net of all funds lent, and all standby and commercial letters of credit issued under the terms of those commitments. At December 31, 2000 and 1999, the commercial loan category and related unfunded commitments did not have a concentration in any industry that exceeded 10% of total loans and unfunded commitments. At December 31, 2000 and 1999, the real estate 1-4 family first mortgage and junior lien mortgage categories and related unfunded commitments did not have a concentration in any state that exceeded 10% of total loans and unfunded commitments.

(in millions)	December 31,			
	2000		1999	
	Outstanding	Commitments to extend credit	Outstanding	Commitments to extend credit
Commercial	$ 50,518	$48,636	$ 41,671	$43,251
Real estate 1-4 family first mortgage	18,464	7,653	13,506	2,323
Other real estate mortgage	23,972	3,134	20,899	1,438
Real estate construction	7,715	6,181	6,067	3,603
Consumer:				
Real estate 1-4 family junior lien mortgage	18,218	484	12,949	5,912
Credit card	6,616	19,004	5,805	20,004
Other revolving credit and monthly payment	23,974	5,510	20,617	5,356
Total consumer	48,808	24,998	39,371	31,272
Lease financing	10,023	1,847	9,890	308
Foreign	1,624	260	1,600	115
Total loans [1]	$161,124	$92,709	$133,004	$82,310

(1) Outstanding loan balances at December 31, 2000 and 1999 are net of unearned income, including net deferred loan fees, of $3,742 million and $3,378 million, respectively.

In the course of evaluating the credit risk presented by a customer and the pricing that will adequately compensate the Company for assuming that risk, management may require a certain amount of collateral support. The type of collateral held varies, but may include accounts receivable, inventory, land, buildings, equipment, income-producing commercial properties and residential real estate. The Company has the same collateral policy for loans whether they are funded immediately or on a delayed basis (commitment).

A commitment to extend credit is a legally binding agreement to lend funds to a customer usually at a stated interest rate and for a specified purpose. Such commitments have fixed expiration dates and generally require a fee. The extension of a commitment gives rise to credit risk. The actual liquidity requirements or credit risk that the Company will experience will be lower than the contractual amount of commitments to extend credit shown in the table above because a significant portion of those commitments are expected to expire without being drawn upon. Certain commitments are subject to loan agreements containing covenants regarding the financial performance of the customer that must be met before the Company is required to fund the commitment. The Company uses the same credit policies in making commitments to extend credit as it does in making loans.

In addition, the Company manages the potential credit risk in commitments to extend credit by limiting the total amount of arrangements, both by individual customer and in the aggregate; by monitoring the size and maturity structure of these portfolios; and by applying the same credit standards maintained for all of its related credit activities. The credit risk associated with these commitments is considered in management's determination of the allowance for loan losses.

Standby letters of credit totaled $5.6 billion and $4.8 billion at December 31, 2000 and 1999, respectively. Standby letters of credit are issued on behalf of customers in connection with contracts between the customers and third parties. Under standby letters of credit, the Company assures that the third parties will receive specified funds if customers fail to meet their contractual obligations. The liquidity risk to the Company arises from its obligation to make payment in the event of a customer's contractual default. The credit risk involved in issuing standby letters of credit and the Company's management of that credit risk is considered in management's determination of the allowance for loan losses. Standby letters of credit are reported net of participations sold to other institutions of $623 million in 2000 and $1.6 billion in 1999.

Included in standby letters of credit are those that back financial instruments (financial guarantees). The Company had issued or purchased participations in financial guarantees of approximately $2.3 billion and $2.6 billion at December 31, 2000 and 1999, respectively. The Company also had commitments for commercial and similar letters of credit of $729 million and $766 million at December 31, 2000 and 1999, respectively. Substantially all fees received from the issuance of financial guarantees are deferred and amortized on a straight-line basis over the term of the guarantee.

The Company has an established process to determine the adequacy of the allowance for loan losses which assesses the risk and losses inherent in its portfolio. This process provides an allowance consisting of two components, allocated and unallocated. To arrive at the allocated component of the allowance, the Company combines estimates of the allowances needed for loans analyzed individually (including impaired loans subject to Statement of Financial Accounting Standards No. 114 (FAS 114), *Accounting by Creditors for Impairment of a Loan*) and loans analyzed on a pool basis.

The determination of allocated reserves for portfolios of larger commercial and commercial real estate loans involves a review of individual higher-risk transactions, focusing on the accuracy of loan grading, assessments of specific loss content, and, in some cases, strategies for resolving problem credits. These considerations supplement the application of loss factors delineated by individual loan grade to the existing distribution of risk exposures, thus framing an assessment of inherent losses across the entire wholesale lending portfolio segment which is responsive to shifts in portfolio risk content. The loss factors used for this analysis have been derived from migration models which track actual portfolio movements from problem asset loan grades to loss over a 5 to 10 year period. In the case of pass loan grades, the loss factors are derived from analogous loss experience in public debt markets, calibrated to the long-term average loss experience of the Company's portfolios. The loan loss reserve allocations arrived at through this factor methodology are adjusted by management's judgment concerning the effect of recent economic events on portfolio performance.

In the case of more homogeneous portfolios, such as consumer loans and leases, residential mortgage loans, and some segments of small business lending, the determination of allocated reserves is conducted at a more aggregate, or pooled, level. For portfolios of this nature, the risk assessment process emphasizes the development of rigorous forecasting models, which focus on recent delinquency and loss trends in different portfolio segments to project relevant risk metrics over an intermediate-term horizon. Such analyses are updated frequently to capture the most recent behavioral characteristics of the subject portfolios, as well as any changes in management's loss mitigation or customer solicitation strategies, in order to reduce the differences between estimated and observed losses. A reserve which approximates one year of projected net losses is provided as the baseline allocation for most homogeneous portfolios, to which management will add certain adjustments to help ensure that a prudent amount of conservatism is present in the specific assumptions underlying that forecast.

While coverage of one year's losses is often adequate (particularly for homogeneous pools of loans and leases), the time period covered by the allowance may vary by portfolio, based on the Company's best estimate of the inherent losses in the entire portfolio as of the evaluation date. To mitigate the imprecision inherent in most estimates of expected credit losses, the allocated component of the allowance is supplemented by an unallocated component. The unallocated component includes management's judgmental determination of the amounts necessary for concentrations, economic uncertainties and other subjective factors; correspondingly, the relationship of the unallocated component to the total allowance for loan losses may fluctuate from period to period. Although management has allocated a portion of the allowance to specific loan categories, the adequacy of the allowance must be considered in its entirety.

The Company's determination of the level of the allowance and, correspondingly, the provision for loan losses rests upon various judgments and assumptions, including general economic conditions, loan portfolio composition, prior loan loss experience and the Company's ongoing examination process and that of its regulators. The Company has an internal risk analysis and review staff that continuously reviews loan quality and reports the results of its examinations to executive management and the Board of Directors. Such reviews also assist management in establishing the level of the allowance. Like all national banks, subsidiary national banks continue to be subject to examination by their primary regulator, the Office of the Comptroller of the Currency (OCC), and some have OCC examiners in residence. These examinations occur throughout the year and target various activities of the subsidiary national banks, including specific segments of the loan portfolio (for example, commercial real estate and shared national credits). In addition to the subsidiary national banks being examined by the OCC, the Parent and its nonbank subsidiaries are examined by the FRB.

The Company considers the allowance for loan losses of $3,719 million adequate to cover losses inherent in loans, loan commitments and standby and other letters of credit at December 31, 2000.

Changes in the allowance for loan losses were as follows:

(in millions)	Year ended December 31,		
	2000	1999	1998
Balance, beginning of year	**$ 3,344**	$ 3,307	$ 3,220
Allowances related to business combinations, net	**265**	48	148
Provision for loan losses	**1,329**	1,104	1,617
Loan charge-offs:			
Commercial	**(429)**	(395)	(271)
Real estate 1-4 family first mortgage	**(16)**	(14)	(29)
Other real estate mortgage	**(32)**	(28)	(54)
Real estate construction	**(8)**	(2)	(3)
Consumer:			
Real estate 1-4 family junior lien mortgage	**(34)**	(33)	(31)
Credit card	**(367)**	(403)	(549)
Other revolving credit and monthly payment	**(623)**	(585)	(1,069)
Total consumer	**(1,024)**	(1,021)	(1,649)
Lease financing	**(52)**	(38)	(49)
Foreign	**(86)**	(90)	(84)
Total loan charge-offs	**(1,647)**	(1,588)	(2,139)
Loan recoveries:			
Commercial	**98**	90	87
Real estate 1-4 family first mortgage	**4**	6	12
Other real estate mortgage	**13**	38	79
Real estate construction	**4**	5	4
Consumer:			
Real estate 1-4 family junior lien mortgage	**14**	15	7
Credit card	**39**	49	59
Other revolving credit and monthly payment	**213**	243	187
Total consumer	**266**	307	253
Lease financing	**13**	12	12
Foreign	**30**	15	14
Total loan recoveries	**428**	473	461
Total net loan charge-offs	**(1,219)**	(1,115)	(1,678)
Balance, end of year	**$ 3,719**	$ 3,344	$ 3,307
Total net loan charge-offs as a percentage of average total loans	**.84 %**	.90 %	1.44 %
Allowance as a percentage of total loans	**2.31 %**	2.51 %	2.76 %

In accordance with FAS 114, the table below shows the recorded investment in impaired loans categorized by the methodology used to measure impairment at December 31, 2000 and 1999:

(in millions)	December 31,	
	2000	1999
Impairment measurement based on:		
Collateral value method	**$174**	$188
Discounted cash flow method	**331**	74
Historical loss factors	**257**	114
Total [1]	**$762**	$376

(1) Includes $345 million and $210 million of impaired loans with a related FAS 114 allowance of $74 million and $48 million at December 31, 2000 and 1999, respectively.

The average recorded investment in impaired loans during 2000, 1999 and 1998 was $470 million, $376 million and $456 million, respectively. Total interest income recognized on impaired loans during 2000, 1999 and 1998 was $4 million, $7 million and $13 million, respectively, which was primarily recorded using the cash method.

The Company uses either the cash or cost recovery method to record cash receipts on impaired loans that are on nonaccrual. Under the cash method, contractual interest is credited to interest income when received. This method is used when the ultimate collectibility of the total principal is not in doubt. Under the cost recovery method, all payments received are applied to principal. This method is used when the ultimate collectibility of the total principal is in doubt. Loans on the cost recovery method may be changed to the cash method when the application of the cash payments has reduced the principal balance to a level where collection of the remaining recorded investment is no longer in doubt.

Note 6: Premises, Equipment, Lease Commitments, Interest Receivable and Other Assets

The following table presents comparative data for premises and equipment:

(in millions)	December 31, 2000	December 31, 1999
Land	$ 440	$ 409
Buildings	2,553	2,549
Furniture and equipment	2,942	2,670
Leasehold improvements	761	745
Premises leased under capital leases	75	76
Total	6,771	6,449
Less accumulated depreciation and amortization	3,356	3,077
Net book value	$3,415	$3,372

Depreciation and amortization expense was $560 million, $499 million and $510 million in 2000, 1999 and 1998, respectively.

The Company is obligated under a number of noncancelable operating leases for premises (including vacant premises) and equipment with terms, including renewal options, up to 100 years, many of which provide for periodic adjustment of rentals based on changes in various economic indicators. The following table shows future minimum payments under noncancelable operating leases and capital leases, net of sublease rentals, with terms in excess of one year as of December 31, 2000:

(in millions)	Operating leases	Capital leases
Year ended December 31,		
2001	$ 351	$ 5
2002	300	4
2003	243	4
2004	194	3
2005	150	2
Thereafter	685	13
Total minimum lease payments	$1,923	31
Executory costs		(2)
Amounts representing interest		(2)
Present value of net minimum lease payments		$27

Rental expense, net of rental income, for all operating leases was $499 million, $418 million and $504 million in 2000, 1999 and 1998, respectively.

The components of interest receivable and other assets at December 31, 2000 and 1999 were as follows:

(in millions)	December 31, 2000	December 31, 1999
Nonmarketable equity investments	$ 4,142	$ 3,525
Trading assets	3,777	2,690
Interest receivable	1,516	1,286
Government National Mortgage Association (GNMA) pool buy-outs	1,510	1,516
Certain identifiable intangible assets	227	264
Foreclosed assets	128	161
Interest-earning deposits	95	199
Due from customers on acceptances	85	103
Other	10,449	6,808
Total interest receivable and other assets	$21,929	$16,552

Noninterest income from nonmarketable equity investments accounted for using the cost method was $170 million, $138 million and $151 million in 2000, 1999 and 1998, respectively.

GNMA pool buy-outs are advances made to GNMA mortgage pools that are guaranteed by the Federal Housing Administration or by the Department of Veterans Affairs (collectively, "the guarantors"). These advances are made to buy out government agency-guaranteed delinquent loans, pursuant to the Company's servicing agreements. The Company, on behalf of the guarantors, undertakes the collection and foreclosure process. After the foreclosure process is complete, the Company is reimbursed for substantially all costs incurred, including the advances, by the guarantors.

A significant portion of trading assets consists of securities, including U.S. government agency obligations, commercial paper and U.S. Treasury Bills. Interest income from trading assets was $98 million, $81 million and $108 million in 2000, 1999 and 1998, respectively. Noninterest income from trading assets was $238 million, $112 million and $207 million in 2000, 1999 and 1998, respectively.

Amortization expense for certain identifiable intangible assets included in other assets was $42 million, $68 million and $87 million in 2000, 1999 and 1998, respectively.

A major portion of the increase in "Other" was due to an increase of $1.6 billion in receivables from security sales pending settlement.

Note 7: Deposits

The aggregate amount of time certificates of deposit and other time deposits issued by domestic offices was $36,207 million and $32,589 million at December 31, 2000 and 1999, respectively. Substantially all of those deposits were interest bearing. The contractual maturities of those deposits are shown in the following table.

(in millions)	December 31, 2000
2001	$28,475
2002	5,509
2003	1,160
2004	444
2005	379
Thereafter	240
Total	$36,207

Of the total above, the amount of time deposits with a denomination of $100,000 or more was $9,741 million and $9,909 million at December 31, 2000 and 1999, respectively. The contractual maturities of these deposits are shown in the following table.

(in millions)	December 31, 2000
Three months or less	$4,401
After three months through six months	2,009
After six months through twelve months	2,231
After twelve months	1,100
Total	$9,741

Time certificates of deposit and other time deposits issued by foreign offices with a denomination of $100,000 or more represent substantially all of the foreign deposit liabilities of $7,712 million and $3,914 million at December 31, 2000 and 1999, respectively.

Demand deposit overdrafts that have been reclassified as loan balances were $749 million and $903 million at December 31, 2000 and 1999, respectively.

Note 8: Short-Term Borrowings

The table below shows selected information for short-term borrowings. These borrowings generally mature in less than 30 days.

(in millions)	2000		1999		1998	
	Amount	Rate	Amount	Rate	Amount	Rate
As of December 31,						
Commercial paper and other short-term borrowings	**$15,844**	**6.64%**	$17,246	6.06%	$ 9,579	5.26%
Federal funds purchased and securities sold under agreements to repurchase	**13,145**	**5.81**	14,481	4.73	10,091	4.41
Total	**$28,989**	**6.26**	$31,727	5.45	$19,670	4.82
Year ended December 31,						
Average daily balance						
Commercial paper and other short-term borrowings	**$14,375**	**6.43%**	$10,272	5.40%	$ 7,706	5.60%
Federal funds purchased and securities sold under agreements to repurchase	**13,847**	**6.03**	12,287	4.69	10,221	5.17
Total	**$28,222**	**6.23**	$22,559	5.00	$17,927	5.36
Maximum month-end balance						
Commercial paper and other short-term borrowings [1]	**$17,730**	**N/A**	$17,246	N/A	$10,272	N/A
Federal funds purchased and securities sold under agreements to repurchase [2]	**16,535**	**N/A**	15,147	N/A	13,840	N/A

N/A-Not applicable.

(1) Highest month-end balance in each of the last three years appeared in January 2000, December 1999 and October 1998, respectively.
(2) Highest month-end balance in each of the last three years appeared in August 2000, August 1999 and April 1998, respectively.

At December 31, 2000, the Company had available lines of credit totaling $3.9 billion, of which $1.9 billion was obtained through a subsidiary, Wells Fargo Financial. The remaining $2.0 billion was in the form of a revolving credit facility. A portion of these financing arrangements require the maintenance of compensating balances or payment of fees, which are not material.

Note 9: Long-Term Debt

The following is a summary of long-term debt (reflecting unamortized debt discounts and premiums, where applicable) owed by the Parent and its subsidiaries:

(in millions)	Maturity date	Interest rate(s)	2000	1999
Wells Fargo & Company (Parent only)				
Senior				
Global Notes [1]	2002-2005	6.5 - 7.25%	$ 3,986	$2,243
Global Notes	2001-2002	Various	1,997	747
Medium-Term Notes [1]	2001-2006	5.625 - 8.15%	2,095	3,993
Medium-Term Notes	2002-2027	6.75 - 7.75%	620	820
Floating-Rate Medium-Term Notes	2001-2002	Various	2,100	2,100
Floating-Rate Euro Medium-Term Notes	2001	Various	300	300
Notes	2004	6.00%	1	1
Notes [1]	2000	6.00%	—	200
Extendable Notes [2]	2005	Various	1,497	—
Total senior debt - Parent			12,596	10,404
Subordinated				
Notes [1]	2003	6.625%	199	199
Debentures	2023	6.65%	198	198
Other notes [1]	2003	6.625 - 6.75%	1	3
Total subordinated debt - Parent			398	400
Total long-term debt - Parent			12,994	10,804
WFC Holdings Corporation				
Senior				
Medium-Term Notes [1]	2001-2002	6.875 - 10.83%	220	221
Medium-Term Notes	2001-2002	9.04 - 10.9%	15	15
Notes payable by subsidiaries			48	51
Other notes and debentures	2003	8.5%	3	4
Obligations of subsidiaries under capital leases (Note 6)			11	15
Total senior debt - WFC Holdings			297	306
Subordinated				
Floating-Rate Notes [3]	2000	Various	—	118
Notes	2002-2003	6.125-8.75%	732	732
Notes [1]	2004	9.125%	135	133
Notes [1]	2006	6.875-7.125%	798	798
Notes [1][4]	2008	6.25%	199	199
Medium-Term Notes [1][4]	2001-2013	6.5 - 11.25%	173	177
Medium-Term Notes	2002	9.375%	30	30
Total subordinated debt - WFC Holdings			2,067	2,187
Total long-term debt - WFC Holdings			2,364	2,493
Wells Fargo Financial, Inc. and its subsidiaries (WFFI)				
Senior				
Notes	2001-2009	5.375 - 8.56%	5,068	4,511
Floating-Rate Notes	2001-2002	Various	1,020	571
Medium-Term Notes	2001-2008	5.38 - 7.47%	881	832
Total long-term debt - WFFI			$ 6,969	$ 5,914

(continued)

(in millions)	Maturity date	Interest rate(s)	2000	1999
First Security Corporation and its subsidiaries (FSCO)				
Senior				
Medium-Term Notes	2001-2003	6.08 - 6.40%	$ 24	$ 24
Floating-Rate Notes	2000	Various	—	200
Floating-Rate Euro Medium-Term Notes [5]	2002	Various	300	300
Floating-Rate Euro Medium-Term Notes	2003	Various	285	285
Federal Home Loan Bank (FHLB) Notes and Advances	2001-2020	3.0-8.174%	796	2,000
Notes	2003-2006	5.875-6.875%	475	475
Other notes payable [6]	2001-2007		5	7
Total senior debt			1,885	3,291
Subordinated				
Notes	2002-2005	7.0-7.50%	200	200
Notes	2006	Various	34	—
Total subordinated debt			234	200
Total long-term debt – FSCO			2,119	3,491
Wells Fargo Bank, N.A.				
Subordinated				
Floating-Rate Notes [7]	2005	Various	750	—
FixFloat Notes (callable 6/15/2005) [1]	2010	7.8% through 2005, Various	996	—
Notes [1]	2010	7.55%	747	—
Total long-term debt – WFB, N.A.			2,493	—
Other consolidated subsidiaries				
Senior				
FHLB Notes and Advances [8]	2001-2027	3.15 - 8.38%	367	345
Floating-Rate FHLB Advances [8]	2001-2011	6.596 - 6.834%	4,409	3,775
Notes	2000	12.25%	—	1
Other notes and debentures	2001-2015	3.00 - 12.00%	316	28
Capital lease obligations (Note 6)			15	15
Total long-term debt - other consolidated subsidiaries			5,107	4,164
Total consolidated long-term debt			$32,046	$26,866

(1) The Company entered into interest rate swap agreements for substantially all of these notes, whereby the Company receives fixed-rate interest payments approximately equal to interest on the notes and makes interest payments based on an average three-month or six-month LIBOR rate.
(2) The extendable notes are a floating rate security with an initial maturity of 13 months, which can be extended on a rolling basis, at the investor's option to a final maturity of 5 years.
(3) Notes are currently redeemable in whole or in part, at par, or at any time in the event withholding taxes are imposed by the United States.
(4) The interest rate swap agreement for these notes is callable by the counterparty prior to the maturity of the notes.
(5) The Company entered into an interest rate swap agreement for these notes, whereby the Company receives interest payments based on an average three-month LIBOR rate and makes fixed-rate interest payments ranging from 5.625% to 5.65%.
(6) The notes are tied to low-income housing funding.
(7) The notes are callable on the interest payment dates at par.
(8) The maturities of the FHLB advances are determined quarterly, based on the outstanding balance, the then current LIBOR rate, and the maximum life of the advance. Advances maturing within the next year are expected to be refinanced, extending the maturity of such borrowings beyond one year.

At December 31, 2000, the principal payments, including shrinking fund payments, on long-term debt are due as noted in the following table.

(in millions)	Parent	Company
2001	$ 3,047	$ 8,936
2002	1,750	4,053
2003	2,524	5,169
2004	1,500	2,724
2005	2,973	4,820
Thereafter	1,200	6,344
Total	$12,994	$32,046

The interest rates on floating-rate notes are determined periodically by formulas based on certain money market rates, subject, on certain notes, to minimum or maximum interest rates.

Certain of the agreements under which debt has been issued contain provisions that may limit the merger or sale of certain subsidiary banks and the issuance of capital stock or convertible securities by certain subsidiary banks. The Company was in compliance with the provisions of those borrowing agreements at December 31, 2000.

Note 10: Guaranteed Preferred Beneficial Interests In Company's Subordinated Debentures

The Company established special purpose trusts in 1996 and 1997 for the purpose of issuing trust preferred securities. The proceeds from such issuances, together with the proceeds of the related issuances of common securities of the trusts, were invested in junior subordinated deferrable interest debentures (debentures) of holding companies (WFC Holdings and First Security) that are now direct subsidiaries of the Parent (the holding company subsidiaries). Concurrent with the issuance of the preferred securities by the trusts, the holding company subsidiaries issued guarantees for the benefit of the security holders. These trust preferred securities provide the Company with a more cost-effective means of obtaining Tier 1 capital for regulatory purposes than if the Company itself were to issue additional preferred stock because the Company is allowed to deduct, for income tax purposes, distributions to the holders of the trust preferred securities. The sole assets of these special purpose trusts are the debentures. The holding company subsidiaries own all of the common securities of the six trusts detailed in the table below. The common securities and debentures, along with the related income effects, are eliminated within the consolidated financial statements. The preferred securities issued by the trusts rank senior to the common securities. The obligations of the holding company subsidiaries under the debentures, the indentures, the relevant trust agreements and the guarantees, in the aggregate, constitute a full and unconditional guarantee by them of the obligations of the trusts under the trust preferred securities and rank subordinate and junior in right of payment to all of their other liabilities. At the time of the WFC Merger, the Parent guaranteed the obligations previously issued by the former Wells Fargo & Company.

The trust preferred securities are subject to mandatory redemption at the stated maturity date of the debentures, upon repayment of the debentures, or earlier, pursuant to the terms of the Trust Agreement. The table below summarizes the outstanding preferred securities issued by each special purpose trust and the debentures issued by the holding company subsidiaries to each trust as of December 31, 2000:

(in millions)				Trust preferred securities and debentures		
	Trust preferred securities		Principal balance of debentures	Stated maturity	Annualized coupon rate	Interest payable/ distribution dates[1]
Trust name	Issuance date	Amount				
Wells Fargo Capital A	November 1996	$ 85	$ 94	December 1, 2026	8.13%	Semi-annual - June 1 and December 1
Wells Fargo Capital B	November 1996	153	159	December 1, 2026	7.95%	Semi-annual - June 1 and December 1
Wells Fargo Capital C	November 1996	186	194	December 1, 2026	7.73%	Semi-annual - June 1 and December 1
Wells Fargo Capital I	December 1996	212	224	December 15, 2026	7.96%	Semi-annual - June 15 and December 15
Wells Fargo Capital II	January 1997	149	155	January 30, 2027	LIBOR + .5%	Quarterly - January 30, April 30, July 30 and October 30
First Security Capital I	December 1996	150	150	December 15, 2026	8.41%	Semi-annual - June 15 and December 15
	Total	$935				

(1) All distributions are cumulative.

On or after December 2006 for Wells Fargo Capital A, Wells Fargo Capital B, Wells Fargo Capital C, Wells Fargo Capital I and First Security Capital I and on or after January 2007 for Wells Fargo Capital II, each of the series of trust preferred securities may be redeemed and the corresponding debentures may be prepaid at the option of the Company, subject to FRB approval, at declining redemption prices with respect to the Wells Fargo Capital securities. Prior to December 2006 for Wells Fargo Capital A, Wells Fargo Capital B, Wells Fargo Capital C, Wells Fargo Capital I, and First Security Capital I and prior to January 2007 for Wells Fargo Capital II, the securities may be redeemed at the option of the Company on the occurrence of certain events that result in a negative tax impact, negative regulatory impact on the trust preferred securities or negative legal or regulatory impact on the appropriate special purpose trust which would define it as an investment company. In addition, the Company has the right to defer payment of interest on the debentures and, therefore, distributions on the trust preferred securities for up to five years.

Note 11: Preferred Stock

The Company is authorized to issue 20,000,000 shares of preferred stock and 4,000,000 shares of preference stock, both without par value. All preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference but have no general voting rights. No preference shares have been issued under this authorization.

The following table is a summary of preferred stock:

	Shares issued and outstanding December 31,		Carrying amount (in millions) December 31,		Adjustable dividend rate		Dividends declared (in millions) Year ended December 31,		
	2000	1999	**2000**	1999	Minimum	Maximum	**2000**	1999	1998
Adjustable-Rate Cumulative, Series B (Liquidation preference $50)	**1,468,400**	1,500,000	**$ 73**	$ 75	5.5%	10.5%	**$ 4**	$ 4	$ 4
6.59%/Adjustable-Rate Noncumulative Preferred Stock, Series H (Liquidation preference $50)[1]	**4,000,000**	4,000,000	**200**	200	7.0	13.0	**13**	13	13
2000 ESOP Cumulative Convertible (Liquidation preference $1,000)	**55,273**	—	**55**	—	11.50	12.50	—	—	—
1999 ESOP Cumulative Convertible (Liquidation preference $1,000)	**18,206**	22,263	**18**	22	10.30	11.30	—	—	—
1998 ESOP Cumulative Convertible (Liquidation preference $1,000)	**7,631**	8,386	**8**	8	10.75	11.75	—	—	—
1997 ESOP Cumulative Convertible (Liquidation preference $1,000)	**9,542**	10,839	**10**	11	9.50	10.50	—	—	—
1996 ESOP Cumulative Convertible (Liquidation preference $1,000)	**10,211**	12,011	**10**	12	8.50	9.50	—	—	—
1995 ESOP Cumulative Convertible (Liquidation preference $1,000)	**8,285**	11,990	**8**	12	10.0	10.0	—	—	—
ESOP Cumulative Convertible (Liquidation preference $1,000)	**2,656**	3,732	**3**	4	9.0	9.0	—	—	—
Unearned ESOP shares [2]	—	—	**(118)**	(73)	—	—	—	—	—
$3.15 Cumulative Convertible Preferred Stock, Series A	—	9,000	—	—	—	—	—	—	—
Total	**5,580,204**	5,578,221	**$267**	$271			**$17**	$17	$17

(1) Annualized dividend rate is 6.59% through October 1, 2001, after which the rate will become adjustable, subject to the minimum and maximum rates disclosed.

(2) In accordance with the American Institute of Certified Public Accountants (AICPA) Statement of Position 93-6, *Employers' Accounting for Employee Stock Ownership Plans*, the Company recorded a corresponding charge to unearned ESOP shares in connection with the issuance of the ESOP Preferred Stock. The unearned ESOP shares are reduced as shares of the ESOP Preferred Stock are committed to be released. For information on dividends declared, see Note 12.

ADJUSTABLE-RATE CUMULATIVE PREFERRED STOCK, SERIES B These shares are redeemable at the option of the Company at $50 per share plus accrued and unpaid dividends. Dividends are cumulative and payable quarterly on the 15th of February, May, August and November. For each quarterly period, the dividend rate is 76% of the highest of the three-month Treasury bill discount rate, 10-year constant maturity Treasury security yield or 20-year constant maturity Treasury bond yield, but limited to a minimum of 5.5% and a maximum of 10.5% per year. The average dividend rate was 5.6% during 2000 and 5.5% in 1999 and 1998.

6.59%/ADJUSTABLE-RATE NONCUMULATIVE PREFERRED STOCK, SERIES H These shares are redeemable at the option of the Company on or after October 1, 2001 at a price of $50 per share plus accrued and unpaid dividends. Dividends are noncumulative and payable on the first day of each calendar quarter at an annualized rate of 6.59% through October 1, 2001. The dividend rate after October 1, 2001 will be equal to .44% plus the highest of the Treasury bill discount rate, the 10-year constant maturity rate and the 30-year constant maturity rate, as determined in advance of such dividend period, limited to a minimum of 7% and a maximum of 13%.

ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK All shares of the Company's 2000, 1999, 1998, 1997, 1996 and 1995 ESOP Cumulative Convertible Preferred Stock and ESOP Cumulative Convertible Preferred Stock (collectively, ESOP Preferred Stock) were issued to a trustee acting on behalf of the Wells Fargo & Company 401(k) Plan (formerly known as the Norwest Corporation Savings Investment Plan). Dividends on the ESOP Preferred Stock are cumulative from the date of initial issuance and are payable quarterly at annual rates ranging from 8.50 percent to 12.50 percent, depending upon the year of issuance. Each share of ESOP Preferred Stock released from the unallocated reserve of the Plan is converted into shares of common stock of the Company based on the stated value of the ESOP Preferred Stock and the then current market price of the Company's common stock. The ESOP Preferred Stock is also convertible at the option of the holder at any time, unless previously redeemed. The ESOP Preferred Stock may be redeemed at any time, in whole or in part, at the option of the Company at a redemption price per share equal to the higher of (a) $1,000 per share plus accrued and unpaid dividends and (b) the fair market value, as defined in the Certificates of Designation of the ESOP Preferred Stock.

Note 12: Common Stock and Stock Plans

Common Stock

The table below summarizes common stock reserved, issued and authorized as of December 31, 2000:

	Number of shares
Convertible subordinated debentures and warrants (1)	8,942,372
Acquisition contingencies	169,397
Dividend reinvestment and common stock purchase plans	3,066,921
Director plans	1,459,066
Employee stock plans	218,941,855
Total shares reserved	232,579,611
Shares issued	1,736,381,025
Shares not reserved	2,031,039,364
Total shares authorized	4,000,000,000

(1) Includes warrants issued by the Company to subsidiaries in 1996 (expiring in 2001) to purchase 8,928,172 shares of the Company's common stock at $42.50 per share.

Each share of the Company's common stock includes one preferred share purchase right. These rights will become exercisable only if a person or group acquires or announces an offer to acquire 15 percent or more of the Company's common stock. When exercisable, each right will entitle the holder to buy one one-thousandth of a share of a new series of junior participating preferred stock at a price of $160 for each one one-thousandth of a preferred share. In addition, upon the occurrence of certain events, holders of the rights will be entitled to purchase either the Company's common stock or shares in an "acquiring entity" at one-half of the then current market value. The Company will generally be entitled to redeem the rights at one cent per right at any time before they become exercisable. The rights will expire on November 23, 2008, unless extended, previously redeemed or exercised. The Company has reserved 1.7 million shares of preferred stock for issuance upon exercise of the rights.

Dividend Reinvestment and Common Stock Purchase Plans

The Company's dividend reinvestment and common stock direct purchase plans permit participants to purchase at fair market value shares of the Company's common stock by reinvestment of dividends and/or optional cash payments, subject to the terms of the plan.

Director Plans

Under the Company's director plans, non-employee directors receive stock as part of their annual retainer. These plans provide for annual grants of options to purchase common stock to each non-employee director elected or re-elected at the annual meeting of stockholders. Options granted become exercisable after six months and may be exercised until the tenth anniversary of the date of grant. Compensation expense for the options is measured as the quoted market price of the stock at the date of grant less the exercise price and is accrued over the vesting period.

Employee Stock Plans

LONG-TERM INCENTIVE PLANS The Company's stock incentive plans provide for awards of incentive and nonqualified stock options, stock appreciation rights, restricted shares, restricted share rights, performance awards and stock awards without restrictions. Employee stock options can be granted with exercise prices at or above the fair market value (as defined in the plan) of the stock at the date of grant and with terms of up to ten years. The options generally become fully exercisable over three years from the date of grant. Except as otherwise permitted under the plan, upon termination of employment for reasons other than retirement, permanent disability or death, the option period is reduced or the options are canceled. Options also may include the right to acquire a "reload" stock option. If an option contains the reload feature and if a participant pays all or part of the exercise price of the option with shares of stock purchased in the market or held by the participant for at least six months, upon exercise of the option, the participant is granted a new option to purchase, at the fair market value of the stock as of the date of the reload, the number of shares of stock equal to the sum of the number of shares used in payment of the exercise price and a number of shares with respect to related taxes. No compensation expense was recorded for the options granted under the plans, as the exercise price was equal to the quoted market price of the stock at the date of grant. The total number of shares of common stock available for grant under the plans as of December 31, 2000 was 66,691,754.

Holders of restricted shares and restricted share rights are entitled at no cost to the related shares of common stock generally over three to five years after the restricted shares or restricted share rights were granted. Upon grant of the restricted shares or restricted share rights, holders generally are entitled to receive quarterly cash payments equal to the cash dividends that would be paid on common stock equal to the number of restricted shares or restricted share rights. Except in limited circumstances, restricted shares and restricted share rights are canceled upon termination of employment. In 2000, 1999 and 1998, 56,636, 204,868 and 371,560 restricted shares and restricted share rights were granted, respectively, with a weighted-average grant-date per share fair value of $40.61, $43.24 and $37.72, respectively. As of December 31, 2000, 1999 and 1998, there were 1,450,074, 2,423,999 and 3,086,500 restricted shares and restricted share rights outstanding, respectively. The compensation expense for the restricted shares and restricted share rights equals the quoted market price of the related stock at the date of grant and is accrued over the vesting period. The total compensation expense recognized for the restricted shares and restricted share rights was $6 million, $21 million and $9 million in 2000, 1999 and 1998, respectively.

In connection with various acquisitions and mergers since 1992, the Company converted employee and director stock options of acquired or merged companies into stock options to purchase the Company's common stock based on the terms of the original stock option plan and the agreed-upon exchange ratio.

BROAD-BASED PLANS In 1996, the Company adopted the Best Practices *PartnerShares*® Plan, a broad-based employee stock option plan covering full- and part-time employees who were not participants in the long-term incentive plans described above. The total number of shares of common stock authorized for issuance under the plan since inception through December 31, 2000, was 67,000,000, including 10,077,400 shares available for grant. Options granted under the *PartnerShares* Plan have an exercise date that generally is the earlier of five years after the date of grant or when the quoted market price of the stock reaches a predetermined price. Those options generally expire ten years after the date of grant. Because the exercise price of each *PartnerShares* grant has been equal to or higher than the quoted market price of the Company's common stock at the date of grant, no compensation expense is recognized.

The following table summarizes the Company's stock option activity and related information for the three years ended December 31, 2000:

	Director Plans		Long-Term Incentive Plans		Broad-Based Plans[5]	
	Number	Weighted-average exercise price	Number	Weighted-average exercise price	Number	Weighted-average exercise price
Options outstanding as of December 31, 1997	575,193	$15.77	66,573,661	$21.37	25,241,910	$29.21
1998:						
Granted	104,030[1]	40.76	10,174,089[2][3]	37.53	21,295,860[4]	37.29
Canceled	—	—	(1,559,438)	27.66	(2,866,310)	31.22
Exercised	(116,633)	12.71	(11,057,166)	15.31	(1,865,480)	21.40
Options outstanding as of December 31, 1998	562,590	21.02	64,131,146	24.78	41,805,980	33.60
1999:						
Granted	38,253[1]	42.60	17,492,150[2][3]	39.59	—	—
Canceled	—	—	(2,198,973)	28.30	(7,836,842)	34.76
Exercised	(75,745)	16.57	(12,817,198)	19.63	(1,454,838)	24.40
Options outstanding as of December 31, 1999	525,098	23.24	66,607,125	29.53	32,514,300	33.72
2000:						
Granted	**28,080[1]**	**42.75**	**23,183,070[2][3]**	**35.63**	**23,160,800**	**46.50**
Canceled	**(5,005)**	**25.04**	**(1,896,001)**	**35.74**	**(4,827,800)**	**36.81**
Exercised	**(115,495)**	**12.94**	**(13,906,642)**	**22.93**	**(390,695)**	**18.19**
Acquisitions	—	—	797,076	20.43	—	—
Options outstanding as of December 31, 2000	**432,678**	**$27.23**	**74,784,628**	**$32.39**	**50,456,605**	**$39.41**
Outstanding options exercisable as of:						
December 31, 1998	475,378	$17.56	38,290,197	$19.55	3,255,200	$22.05
December 31, 1999	511,225	22.06	39,582,781	24.86	1,646,500	17.64
December 31, 2000	**432,678**	**27.23**	**44,893,948**	**30.36**	**1,309,005**	**18.33**

(1) The weighted-average per share fair value of options granted was $12.60, $12.09 and $14.38 for 2000, 1999 and 1998, respectively.
(2) The weighted-average per share fair value of options granted was $10.13, $10.16 and $8.18 for 2000, 1999 and 1998, respectively.
(3) Includes 2,029,063, 2,285,910 and 2,094,111 reload grants at December 31, 2000, 1999 and 1998, respectively.
(4) The weighted-average per share fair value of options granted was $5.42 for 1998.
(5) Activity for broad-based plans in 1999 and 1998 includes the options related to the Employee Stock Purchase Plan, which was discontinued in 1999. The Employee Stock Purchase Plan allowed eligible employees of the former Wells Fargo to purchase common stock at a price of the lower of (1) the quoted market price of the stock at the date of grant or (2) 85% of the quoted market price at the end of the one-year option term.

The following table is a summary of selected information for the Company's stock option plans described on the preceding page:

	December 31, 2000		
	Weighted-average remaining contractual life (in yrs.)	Number	Weighted-average exercise price
RANGE OF EXERCISE PRICES			
Director Plans			
$0.10-$7.83			
Options outstanding/exercisable	1.07	37,390	$6.46
$7.84-$13.48			
Options outstanding/exercisable	2.68	23,210	11.78
$13.49-$16.00			
Options outstanding/exercisable	4.01	70,940	15.22
$16.01-$25.04			
Options outstanding/exercisable	4.80	45,572	19.90
$25.05-$38.29			
Options outstanding/exercisable	6.36	169,620	30.17
$38.30-$51.00			
Options outstanding/exercisable	8.42	85,946	48.45
Long-Term Incentive Plans			
$3.37-$5.06			
Options outstanding/exercisable	6.64	99,394	4.35
$5.07-$7.60			
Options outstanding/exercisable	1.19	646,138	7.22
$7.61-$11.41			
Options outstanding	2.02	743,242	10.44
Options exercisable	2.01	741,237	10.44
$11.42-$17.13			
Options outstanding	2.99	5,824,601	13.99
Options exercisable	2.94	5,659,731	13.94
$17.14-$25.71			
Options outstanding	3.59	4,099,854	20.21
Options exercisable	3.73	3,804,553	20.21
$25.72-$38.58			
Options outstanding	7.54	54,144,239	33.69
Options exercisable	6.34	27,566,741	32.56
$38.59-$71.30			
Options outstanding	7.41	9,227,160	45.63
Options exercisable	6.42	6,376,154	46.51
Broad-Based Plans			
$16.56-$24.84			
Options outstanding/exercisable	5.56	1,173,405	16.56
$24.85-$37.81			
Options outstanding	7.26	26,629,000	34.39
Options exercisable	7.13	135,600	33.65
$37.82-$46.50			
Options outstanding	9.85	22,654,200	46.50
Options exercisable	N/A	—	N/A

N/A-Not applicable.

In accordance with FAS 123, *Accounting for Stock-Based Compensation*, the Company has elected to continue applying the provisions of Accounting Principles Board Opinion 25, *Accounting for Stock Issued to Employees*, in accounting for the stock plans described above. Had compensation cost for those stock plans been determined based on the (optional) fair value method established by FAS 123, the Company's net income and earnings per common share would have been reduced to the pro forma amounts indicated below.

(in millions, except per common share amounts)	Year ended December 31,		
	2000	1999	1998
Net income			
As reported	**$4,026**	$4,012	$2,191
Pro forma [1]	**3,914**	3,909	2,104
Earnings per common share			
As reported	**$ 2.36**	$ 2.32	$ 1.28
Pro forma [1]	**2.29**	2.26	1.23
Diluted earnings per common share			
As reported	**$ 2.33**	$ 2.29	$ 1.26
Pro forma [1]	**2.27**	2.23	1.21

(1) The pro forma amounts noted above only reflect the effects of stock-based compensation grants made after 1995. Because stock options may be granted each year and generally vest over three years, these pro forma amounts may not reflect the full effect of applying the (optional) fair value method established by FAS 123 that would be expected if all outstanding stock option grants were accounted for under this method.

The fair value of each option grant is estimated based on the date of grant using an option-pricing model. The following weighted-average assumptions were used in 2000, 1999 and 1998: expected dividend yield ranging from 1.4% to 3.4%; expected volatility ranging from 20.0% to 42.0%; risk-free interest rates ranging from 4.4% to 7.8% and expected life ranging from 0.1 to 6.6 years.

EMPLOYEE STOCK OWNERSHIP PLAN The Wells Fargo & Company 401(k) Plan (the 401(k) Plan) is a defined contribution employee stock ownership plan (ESOP) under which the 401(k) Plan may borrow money to purchase the Company's common or preferred stock. Beginning in 1994, the Company has loaned money to the 401(k) Plan which has been used to purchase shares of the Company's ESOP Preferred Stock. As ESOP Preferred Stock is released and converted into common shares, compensation expense is recorded equal to the current market price of the common shares. Dividends on the common shares allocated as a result of the release and conversion of the ESOP Preferred Stock are recorded as a reduction of retained earnings and the shares are considered outstanding for purposes of earnings per share computations. Dividends on the unallocated ESOP Preferred Stock are not recorded as a reduction of retained earnings, and the shares are not considered to be common stock equivalents for purposes of earnings per share computations. Loan principal and interest payments are made from the Company's contributions to the 401(k) Plan, along with dividends paid on the ESOP Preferred Stock. With each principal and interest payment, a portion of the ESOP Preferred Stock is released and, after conversion of the ESOP Preferred Stock into common shares, allocated to the 401(k) Plan participants.

In 1989, the Company loaned money to the 401(k) Plan which was used to purchase shares of the Company's common stock (the 1989 ESOP shares). The Company accounted for the 1989 ESOP shares in accordance with AICPA Statement of Position 76-3, *Accounting Practices for Certain Employee Stock Ownership Plans*. Accordingly, the Company's ESOP loan to the 401(k) Plan related to the purchase of the 1989 ESOP shares was recorded as a reduction of stockholders' equity, and compensation expense based on the cost of the shares was recorded as shares were released and allocated to participants' accounts. The loan from the Company to the 401(k) Plan was repaid in 1999. Interest income on this loan was $.1 million in 1999 and $1 million in 1998 and was recorded as a reduction in employee benefits expense. The 1989 ESOP shares were considered outstanding for purposes of earnings per share computations and dividends on the shares are recorded as a reduction to retained earnings. The Company issued Series A and B ESOP Notes in the market place in connection with the purchase of common shares. Series B ESOP matured April 26, 1999 and Series A matured in 1996. Total interest expense on the Series B ESOP Notes was $.1 million in 1999 and $1 million in 1998.

Total dividends paid to the 401(k) Plan on ESOP shares were as follows:

(in millions)	Year ended December 31,		
	2000	1999	1998
ESOP Preferred Stock:			
Common dividends	**$11**	$ 7	$ 6
Preferred dividends	**14**	11	9
1989 ESOP shares:			
Common dividends	**11**	11	11
Total	**$36**	$29	$26

The ESOP shares as of December 31, 2000, 1999 and 1998 were as follows:

	December 31,		
	2000	1999	1998
ESOP Preferred Stock:			
Allocated shares (common)	**13,716,692**	10,784,773	8,592,898
Unreleased shares (preferred)	**111,804**	69,221	80,362
1989 ESOP shares:			
Allocated shares	**10,988,083**	13,016,033	15,018,861
Unreleased shares	**39,558**	76,070	320,285
Fair value of unearned ESOP shares (in millions)	**$112**	$69	$80

Note 13: Employee Benefits and Other Expenses

Employee Benefits

The Company sponsors noncontributory qualified defined benefit retirement plans including the Cash Balance Plan and the First Security Corporation Retirement Plan. The Cash Balance Plan is an active plan and it covers eligible employees of the Company except certain subsidiaries. The FSCO Retirement Plan is an inactive plan, which provides benefits to eligible employees of First Security. All benefits under the FSCO Retirement Plan were frozen effective December 31, 2000.

Under the Cash Balance Plan, eligible employees' Cash Balance Plan accounts are allocated a compensation credit based on a certain percentage of their certified compensation. The compensation credit percentage is based on age and years of credited service. In addition, participants are allocated at the end of each quarter investment credits on their accumulated balances. Employees become vested in their Cash Balance Plan accounts after completion of five years of vesting service or attainment of age 65, if earlier. Pension benefits accrued prior to the conversion to the Cash Balance Plan are guaranteed. In addition, certain employees are eligible for a special transition benefit comparison.

The Company's policy is to fund the actuarially computed retirement cost accrued for the Cash Balance Plan. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The Company sponsors defined contribution retirement plans including the 401(k) Plan and the First Security Incentive Savings Plan and Trust (the FSCO 401(k) Plan). Under the 401(k) Plan, eligible employees who have completed one month of service are eligible to contribute up to 18% of their pretax certified compensation, although a lower limit may be applied to certain highly compensated employees in order to maintain the qualified status of the 401(k) Plan. Eligible employees who complete one year of service are eligible for matching company contributions, which are generally a dollar for dollar match up to 6% of an employee's certified compensation. The Company's matching contributions are generally subject to a four-year vesting schedule.

Under the FSCO 401(k) Plan, eligible employees who were 21 or older with one year of service were eligible to contribute up to 17% of their pretax certified compensation, although a lower limit may be applied to certain employees in order to maintain the qualified status of the FSCO 401(k) Plan. Eligible employees were eligible for matching company contributions, which are generally equal to 50% of the first 6% of an employee's certified compensation. The Company's matching contributions were fully vested upon enrollment. The FSCO 401(k) Plan was merged into the Wells Fargo 401(k) Plan effective January 1, 2001.

The Company provides health care and life insurance benefits for certain retired employees and reserves the right to terminate or amend any of the benefits described above at any time.

The following table shows the changes in the benefit obligation and the fair value of plan assets during 2000 and 1999 and the amounts included in the Company's Consolidated Balance Sheet as of December 31, 2000 and 1999 for the Company's defined benefit pension and other postretirement benefit plans:

(in millions)	December 31,			
	2000		1999	
	Pension benefits	Other benefits	Pension benefits	Other benefits
Change in benefit obligation				
Benefit obligation at beginning of year	$2,503	$ 567	$2,653	$ 545
Service cost	154	16	119	25
Interest cost	186	43	143	35
Plan participants' contributions	—	6	—	6
Amendments	—	—	14	(3)
Plan mergers	25	—	7	—
Actuarial loss	(24)	(22)	(323)	(4)
Benefits paid	(176)	(32)	(110)	(37)
Settlement	(12)	—	—	—
Benefit obligation at end of year	$2,656	$ 578	$2,503	$567
Change in plan assets				
Fair value of plan assets at beginning of year	$2,867	$ 209	$2,699	$ 218
Actual return on plan assets	550	26	244	5
Plan mergers	28	—	10	—
Employer contribution	13	27	24	17
Plan participants' contributions	—	6	—	6
Benefits paid	(176)	(32)	(110)	(37)
Settlement	(12)	—	—	—
Fair value of plan assets at end of year	$3,270	$ 236	$2,867	$ 209
Funded status	$ 612	$(336)	$ 364	$(357)
Unrecognized net actuarial gain	(667)	(29)	(392)	1
Unrecognized net transition asset	(4)	4	(6)	1
Unrecognized prior service cost	21	(2)	26	(2)
Accrued benefit cost	$ (38)	$(363)	$ (8)	$(357)

The weighted-average assumptions used in calculating the amounts above were:

	Year ended December 31,					
	2000		1999		1998	
	Pension benefits	Other benefits	Pension benefits	Other benefits	Pension benefits	Other benefits
Discount rate	7.5%	7.5%	7.5-8.0%	7.5-8.0%	6.5-7.0%	6.5-7.0%
Expected return on plan assets	9.0%	9.0%	9.0%	9.0%	8.5-9.0%	9.0%
Rate of compensation increase	4.5-5.0%	—%	4.5-5.0%	—%	4.5-5.0%	—%

The following table sets forth the components of net periodic benefit cost for 2000, 1999 and 1998:

(in millions)	Year ended December 31,					
	2000		1999		1998	
	Pension benefits	Other benefits	Pension benefits	Other benefits	Pension benefits	Other benefits
Service cost	$ 154	$ 16	$ 120	$25	$ 75	$ 19
Interest cost	186	43	144	35	161	34
Expected return on plan assets	(249)	(18)	(200)	(6)	(216)	(11)
Recognized net actuarial (gain) loss [1]	(46)	(1)	(3)	(8)	21	(1)
Amortization of prior service cost	2	—	3	—	2	—
Amortization of unrecognized transition asset	(2)	—	(2)	—	(2)	—
Settlement	4	—	—	—	—	—
Net periodic benefit cost	$ 49	$ 40	$ 62	$46	$ 41	$ 41

(1) Net actuarial (gain) loss is generally amortized over five years.

Accounting for the postretirement health care plans uses a health care cost trend rate to recognize the effect of expected changes in future health care costs due to medical inflation, utilization changes, technological changes, regulatory requirements and Medicare cost shifting. Average annual increases of 8.0% to 8.5% for HMOs and 8.5% for all other types of coverage in the per capita cost of covered health care benefits were assumed for 2000. By 2006 and thereafter, rates were assumed at 5.5% for HMOs and for all other types of coverage. Increasing the assumed health care trend by one percentage point in each year would increase the benefit obligation as of December 31, 2000 by $52 million and the aggregate of the interest cost and service cost components of the net periodic benefit cost for 2000 by $7 million. Decreasing the assumed health care trend by one percentage point in each year would decrease the benefit obligation as of December 31, 2000 by $46 million and the aggregate of the interest cost and service cost components of the net periodic benefit cost for 2000 by $5 million.

Expenses for defined contribution retirement plans were $169 million, $155 million and $179 million in 2000, 1999 and 1998, respectively.

Other Expenses

The table at right shows expenses which exceeded 1% of total interest income and noninterest income and which are not otherwise shown separately in the financial statements or notes thereto.

(in millions)	Year ended December 31,		
	2000	1999	1998
Contract services	**$536**	$473	$353
Outside professional services	**447**	381	398
Outside data processing	**343**	312	293
Advertising and promotion	**316**	251	252
Telecommunications	**303**	286	269
Travel and entertainment	**287**	262	225
Postage	**252**	239	242
Donations	**32**	49	259

Note 14: Income Taxes

The following is a summary of the components of income tax expense applicable to income before income taxes:

(in millions)	Year ended December 31,		
	2000	1999	1998
Current:			
Federal	**$1,446**	$ 628	$1,250
State and local	**158**	46	278
Foreign	**46**	53	(1)
	1,650	727	1,527
Deferred:			
Federal	**783**	1,416	(16)
State and local	**90**	195	(22)
Foreign	**—**	—	(15)
	873	1,611	(53)
Total	**$2,523**	$2,338	$1,474

The Company's tax benefit related to the exercise of employee stock options that was recorded in stockholders' equity was $112 million, $88 million and $102 million for 2000, 1999 and 1998, respectively.

The Company had a net deferred tax liability of $3,297 million and $2,275 million at December 31, 2000 and 1999, respectively. The tax effects of temporary differences that gave rise to significant portions of deferred tax assets and liabilities at December 31, 2000 and 1999 are presented below:

(in millions)	Year ended December 31,	
	2000	1999
Deferred Tax Assets		
Allowance for loan losses	**$ 1,414**	$ 1,377
Net tax-deferred expenses	**747**	788
Other	**63**	169
Total deferred tax assets	**2,224**	2,334
Deferred Tax Liabilities		
Core deposit intangible	**376**	428
Leasing	**1,853**	1,398
Mark to market	**712**	800
Mortgage servicing	**1,799**	1,291
FAS 115 adjustment	**295**	366
Other	**486**	326
Total deferred tax liabilities	**5,521**	4,609
Net Deferred Tax Liability	**$(3,297)**	$(2,275)

The Company has determined that a valuation reserve is not required for any of the deferred tax assets since it is more likely than not that these assets will be realized principally through carryback to taxable income in prior years, and future reversals of existing taxable temporary differences, and, to a lesser extent, future taxable income and tax planning strategies. The Company's conclusion that it is "more likely than not" that the deferred tax assets will be realized is based on federal taxable income in excess of $4.3 billion in the carryback period, substantial state taxable income in the carryback period, as well as a history of growth in earnings and the prospects for continued growth.

The deferred tax liability related to unrealized gains and losses on securities available for sale had no impact on 2000, 1999 or 1998 income tax expense as these gains and losses, net of taxes, were recorded in cumulative other comprehensive income.

The following table is a reconciliation of the statutory federal income tax expense and rate to the effective income tax expense and rate:

(in millions)	Year ended December 31,					
	2000		1999		1998	
	Amount	%	Amount	%	Amount	%
Statutory federal income tax expense and rate	$2,292	35.0 %	$2,222	35.0 %	$1,283	35.0 %
Change in tax rate resulting from:						
State and local taxes on income, net of federal income tax benefit	161	2.5	158	2.5	168	4.6
Amortization of goodwill not deductible for tax return purposes	165	2.5	133	2.1	129	3.5
Tax exempt income	(76)	(1.2)	(71)	(1.1)	(63)	(1.7)
Other	(19)	(.3)	(104)	(1.7)	(43)	(1.2)
Effective income tax expense and rate	$2,523	38.5 %	$2,338	36.8 %	$1,474	40.2 %

Note 15: Earnings Per Common Share

The table below shows dual presentation of earnings per common share and diluted earnings per common share and a reconciliation of the numerator and denominator of both earnings per common share calculations.

(in millions, except per share amounts)	Year ended December 31,		
	2000	1999	1998
Net income	$ 4,026	$ 4,012	$ 2,191
Less: Preferred stock dividends	17	35	35
Net income applicable to common stock	$ 4,009	$ 3,977	$ 2,156
EARNINGS PER COMMON SHARE			
Net income applicable to common stock (numerator)	$ 4,009	$ 3,977	$ 2,156
Average common shares outstanding (denominator)	1,699.5	1,714.0	1,688.1
Per share	$ 2.36	$ 2.32	$ 1.28
DILUTED EARNINGS PER COMMON SHARE			
Net income applicable to common stock (numerator)	$ 4,009	$ 3,977	$ 2,156
Average common shares outstanding	1,699.5	1,714.0	1,688.1
Add: Stock options	17.7	19.7	20.4
Restricted share rights	1.2	1.6	2.0
Convertible preferred	—	.1	.1
Diluted average common shares outstanding (denominator)	1,718.4	1,735.4	1,710.6
Per share	$ 2.33	$ 2.29	$ 1.26

Note 16: Comprehensive Income

The following table presents the components of other comprehensive income and the related tax effect allocated to each component:

(in millions)	Before tax amount	Tax effect	Net of tax
1998:			
Translation adjustments	$ (6)	$ (2)	$ (4)
Net unrealized gains on securities available for sale arising during the year	196	77	119
Reclassification of net gains on securities available for sale included in net income	(182)	(73)	(109)
Net unrealized gains arising during the year	14	4	10
Other comprehensive income	$ 8	$ 2	$ 6
1999:			
Translation adjustments	$ 6	$ 2	$ 4
Net unrealized gains on securities available for sale arising during the year	205	78	127
Reclassification of net losses on securities available for sale included in net income	219	83	136
Net unrealized gains arising during the year	424	161	263
Other comprehensive income	$ 430	$ 163	$ 267
2000:			
Translation adjustments	$ (3)	$ (1)	$ (2)
Net unrealized losses on securities available for sale arising during the year	(232)	(88)	(144)
Reclassification of net gains on securities available for sale included in net income	(145)	(55)	(90)
Net unrealized losses arising during the year	(377)	(143)	(234)
Other comprehensive income	$(380)	$(144)	$(236)

The following table presents cumulative other comprehensive income balances:

(in millions)	Translation adjustments	Net unrealized gains (losses) on securities	Cumulative other comprehensive income
Balance, December 31, 1997	$(10)	$497	$487
Net change	(4)	10	6
Balance, December 31, 1998	(14)	507	493
Net change	4	263	267
Balance, December 31, 1999	(10)	770	760
Net change	(2)	(234)	(236)
Balance, December 31, 2000	$(12)	$536	$524

Note 17: Operating Segments

The Company has identified four lines of business for the purposes of management reporting: Community Banking, Wholesale Banking, Wells Fargo Home Mortgage (formerly Norwest Mortgage) and Wells Fargo Financial (formerly Norwest Financial). The results are determined based on the Company's management accounting process, which assigns balance sheet and income statement items to each responsible operating segment. This process is dynamic and somewhat subjective. Unlike financial accounting, there is no comprehensive, authoritative guidance for management accounting equivalent to generally accepted accounting principles. The management accounting process measures the performance of the operating segments based on the management structure of the Company and is not necessarily comparable with similar information for any other financial institution. The Company's operating segments are defined by product type and customer segments. Changes in management structure and/or the allocation process may result in changes in allocations, transfers and assignments. In that case, results for prior periods would be (and have been) restated to allow comparability.

The Community Banking Group offers a complete line of diversified financial products and services to individual consumers and small businesses with annual sales up to $10 million in which the owner is also the principal financial decision maker. Community Banking also offers investment management and other services to retail customers and high net worth individuals, insurance and securities brokerage through affiliates and venture capital financing. This includes *Wells Fargo Funds*℠, a family of mutual funds, as well as personal trust, employee benefit trust and agency assets. Loan products include lines of credit, equipment and transportation (auto, recreational vehicle, marine) loans as well as equity lines and loans. Other credit products and financial services available to small businesses and their owners include receivables and inventory financing, equipment leases, real estate financing, Small Business Administration financing, cash management, payroll services, retirement plans, medical savings accounts and credit and debit card processing. Consumer and business deposit products include checking accounts, savings deposits, market rate accounts, Individual Retirement Accounts (IRAs) and time deposits.

Community Banking provides access to customers through a wide range of channels, which encompass a network of traditional banking stores, banking centers, in-store banking centers, business centers and ATMs. Additionally, 24-hour telephone service is provided by *Phone Bank*℠ centers and the National Business Banking Center. Online banking services include the Wells Fargo Internet Services Group and *Business Gateway*®, a personal computer banking service exclusively for the small business customer.

The Wholesale Banking Group serves businesses with annual sales in excess of $10 million and maintains relationships with major corporations throughout the United States. Wholesale Banking provides a complete line of commercial and corporate banking services. These include traditional commercial loans and lines of credit, letters of credit, asset-based lending, equipment leasing, international trade facilities, foreign exchange services, cash management and investment management. Wholesale Banking includes the majority ownership interest in the Wells Fargo HSBC Trade Bank, which provides trade financing, letters of credit and collection services and is sometimes supported by the Export-Import Bank of the United States (a public agency of the United States offering export finance support for American-made products). Wholesale Banking also supports the commercial real estate market with products and services such as construction loans for commercial and residential development, land acquisition and development loans, secured and unsecured lines of credit, interim financing arrangements for completed structures, rehabilitation loans, affordable housing loans and letters of credit. Secondary market services are provided through the Capital Markets Group. Its business includes senior loan financing, mezzanine financing, financing for leveraged transactions, purchasing distressed real estate loans and high yield debt, origination of permanent loans for securitization, loan syndications, real estate brokerage services and commercial real estate loan servicing.

Wells Fargo Home Mortgage's activities include the origination and purchase of residential mortgage loans for sale to various investors as well as providing servicing of mortgage loans for others.

Wells Fargo Financial includes consumer finance and auto finance operations. Consumer finance operations make direct loans to consumers and purchase sales finance contracts from retail merchants from offices throughout the United States and Canada and in the Caribbean and Latin America. Automobile finance operations specialize in purchasing sales finance contracts directly from automobile dealers and making loans secured by automobiles in the United States and Puerto Rico. Credit cards are issued to consumer finance customers through two credit card banks. Wells Fargo Financial also provides lease and other commercial financing and provides information services to the consumer finance industry.

The Reconciliation Column includes goodwill and nonqualifying CDI, the net impact of transfer pricing loan and deposit balances, the cost of external debt, and any residual effects of unallocated systems and other support groups. It also includes the impact of asset/liability strategies the Company has put in place to manage interest rate sensitivity at the consolidated level.

(income/expense in millions, average balances in billions)	Community Banking	Wholesale Banking	Wells Fargo Home Mortgage	Wells Fargo Financial	Reconciliation Column [3]	Consolidated Company
2000						
Net interest income [1]	**$7,737**	**$1,677**	**$ 122**	**$1,424**	**$ (95)**	**$10,865**
Provision for loan losses	**880**	**118**	**3**	**328**	**—**	**1,329**
Noninterest income	**5,851**	**1,226**	**1,341**	**304**	**121**	**8,843**
Noninterest expense	**8,120**	**1,363**	**970**	**987**	**390**	**11,830**
Income (loss) before income tax expense (benefit)	**4,588**	**1,422**	**490**	**413**	**(364)**	**6,549**
Income tax expense (benefit) [2]	**1,677**	**530**	**180**	**155**	**(19)**	**2,523**
Net income (loss)	**$2,911**	**$ 892**	**$ 310**	**$ 258**	**$(345)**	**$ 4,026**
1999						
Net interest income [1]	$7,307	$1,403	$ 172	$1,314	$ (80)	$10,116
Provision for loan losses	709	102	3	288	2	1,104
Noninterest income	5,133	1,194	1,238	311	99	7,975
Noninterest expense	7,219	1,154	975	952	337	10,637
Income (loss) before income tax expense (benefit)	4,512	1,341	432	385	(320)	6,350
Income tax expense (benefit) [2]	1,534	500	166	142	(4)	2,338
Net income (loss)	$2,978	$ 841	$ 266	$ 243	$(316)	$ 4,012
1998						
Net interest income [1]	$6,838	$1,345	$ 254	$1,303	$ (67)	$ 9,673
Provision for loan losses	828	33	4	752	—	1,617
Noninterest income	4,376	1,015	1,078	303	148	6,920
Noninterest expense	7,811	1,026	986	878	610	11,311
Income (loss) before income tax expense (benefit)	2,575	1,301	342	(24)	(529)	3,665
Income tax expense (benefit) [2]	946	521	125	(5)	(113)	1,474
Net income (loss)	$1,629	$ 780	$ 217	$ (19)	$(416)	$ 2,191
2000						
Average loans	**$ 88**	**$ 41**	**$ 6**	**$ 11**	**$ —**	**$ 146**
Average assets	**156**	**49**	**26**	**12**	**7**	**250**
Average core deposits	**132**	**10**	**4**	**—**	**—**	**146**
1999						
Average loans	$ 78	$ 35	$ 1	$ 10	$ —	$ 124
Average assets	141	42	23	11	8	225
Average core deposits	125	9	5	—	—	139

(1) Net interest income is the primary source of income for most of the operating segments. Net interest income is the difference between actual interest earned on assets (and interest paid on liabilities) owned by a group and a funding charge (and credit) based on the Company's cost of funds. Community Banking and Wholesale Banking are charged a cost to fund any assets (e.g., loans) and are paid a funding credit for any funds provided (e.g., deposits). The interest spread is the difference between the interest rate earned on an asset or paid on a liability and the Company's cost of funds rate. (Wells Fargo Home Mortgage's net interest income was composed of interest revenue of $1,026 million, $869 million and $1,023 million for 2000, 1999 and 1998, respectively, and interest expense of $904 million, $697 million and $769 million for 2000, 1999 and 1998, respectively.)

(2) Taxes vary by geographic concentration of revenue generation. Taxes as presented are also higher than the consolidated Company's effective tax rate as a result of taxable-equivalent adjustments that primarily relate to income on certain loans and securities that is exempt from federal and applicable state income taxes. The offsets for these adjustments are found in the reconciliation column.

(3) The material items in the reconciliation column related to revenue (i.e., net interest income plus noninterest income) and net income consist of Treasury activities and unallocated items. Revenue includes Treasury activities of $66 million, $83 million and $125 million; and unallocated items of $(40) million, $(64) million, and $(44) million for 2000, 1999 and 1998, respectively. Net income includes Treasury activities of $40 million, $51 million and $72 million; and unallocated items of $(385) million, $(367) million and $(488) million for 2000, 1999 and 1998, respectively. The material items in the reconciliation column related to noninterest expense include goodwill and nonqualifying CDI amortization of $(326) million, $(318) million and $534 million for 2000, 1999 and 1998, respectively. The material items in the reconciliation column related to average assets include goodwill and nonqualifying CDI of $7 billion and $8 billion for 2000 and 1999, respectively.

Note 18: Mortgage Banking Activities

Mortgage banking activities include Wells Fargo Home Mortgage and mortgage banking activities in other operating segments. The following table presents the components of mortgage banking noninterest income:

(in millions)	Year ended December 31,		
	2000	1999	1998
Origination and other closing fees	$ 350	$ 406	$ 557
Servicing fees, net of amortization	665	404	15
Net gains on sales of servicing rights	159	193	227
Net gains on sales of mortgages	38	117	182
All other	232	287	308
Total mortgage banking noninterest income	$1,444	$1,407	$1,289

The managed servicing portfolio totaled $468 billion at December 31, 2000, $308 billion at December 31, 1999 and $264 billion at December 31, 1998, which included loans subserviced for others of $85 billion, $9 billion and $2 billion, respectively. Mortgage loans serviced for others, which are included in the managed servicing portfolio, are not included in the accompanying consolidated balance sheet.

The Company routinely originates, securitizes and sells mortgage loans into the secondary market. As a result of this process, the Company typically retains the servicing rights and may retain an interest-only strip from the sales. These securitizations are structured without recourse to the Company and without restrictions on the retained interest. The Company recognized gains of $395 million from sales of financial assets in securitizations in 2000. Additionally, the Company had the following cash flows with the securitization Special Purpose Entity:

- proceeds from new securitizations of $5,381 million,
- servicing fees of $64 million, and
- cash flows on interest-only strips of $115 million.

The following table summarizes the changes in capitalized mortgage loan servicing rights:

(in millions)	Year ended December 31,		
	2000	1999	1998
Balance, beginning of year	$4,652	$3,294	$3,218
Originations	702	1,110	965
Purchases	1,212	695	720
Sales	(58)	(172)	(478)
Amortization	(554)	(721)	(849)
Other (principally hedge activity)	(345)	446	(282)
	5,609	4,652	3,294
Less valuation allowance	—	—	64
Balance, end of year	$5,609	$4,652	$3,230

The key economic assumptions used in determining the fair value of mortgage servicing rights and other retained interests at the date of securitization resulting from securitizations completed in 2000 were as follows:

	Mortgage servicing rights	Other retained interests
Prepayment speed (annual CPR) [1]	12.8%	10.2%
Weighted average life (in years)	7.9	8.2
Discount rates [1]	10.6%	12.0%

CPR – Constant prepayment rate

(1) Discount rates and prepayment speeds represent weighted averages for all retained interests resulting from securitizations completed in 2000.

At December 31, 2000, key economic assumptions and the sensitivity of the current fair value of mortgage servicing rights and other retained interests to immediate 10% and 25% adverse changes in those assumptions were as follows:

(in millions)	Mortgage servicing rights	Other retained interests
Fair value of retained interests	$5,669	$2,312
Expected weighted average life (in years)	6.5	6.8
Prepayment speed assumption (annual CPR)	13.3%	11.5%
Decrease in fair value from 10% adverse change	$ 222	$ 79
Decrease in fair value from 25% adverse change	524	188
Discount rate assumption ranges	8.7-14.5%	10.6-14.3%
Decrease in fair value from 10% adverse change	$ 215	$ 80
Decrease in fair value from 25% adverse change	509	189

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear. Also, in the above table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated independently without changing any other assumption. In reality, changes in one factor may result in changes in another (for example, changes in prepayment speed estimates could result in changes in the discount rates), which might magnify or counteract the sensitivities.

The Company did not retain credit risk on mortgage servicing rights and other retained interests reported herein.

Note 19: Parent Company

Condensed financial information of the Parent follows. For information regarding the Parent's long-term debt, see Note 9.

Condensed Statement of Income

(in millions)	Year ended December 31,		
	2000	1999	1998
INCOME			
Dividends from subsidiaries:			
Bank	**$2,318**	$2,378	$1,450
Nonbank	**1,139**	153	403
Interest income from subsidiaries	**701**	616	459
Service fees from subsidiaries	**45**	104	127
Noninterest income	**369**	95	21
Total income	**4,572**	3,346	2,460
EXPENSE			
Interest on:			
Short-term borrowings	**464**	350	275
Long-term debt	**739**	514	341
Noninterest expense	**116**	380	379
Total expense	**1,319**	1,244	995
Income before income tax benefit and undistributed income of subsidiaries	**3,253**	2,102	1,465
Income tax benefit (expense)	**114**	(161)	105
Equity in undistributed income of subsidiaries	**659**	2,071	621
NET INCOME	**$4,026**	$4,012	$2,191

Condensed Balance Sheet

(in millions)	December 31,	
	2000	1999
ASSETS		
Cash and noninterest-bearing balances due from:		
Subsidiary banks	**$ —**	$ 83
Non-affiliates	**50**	9
Interest-bearing balances due from subsidiary banks	**1,759**	6,028
Securities available for sale	**1,982**	1,765
Loans and advances to subsidiaries:		
Bank	**200**	—
Nonbank	**10,862**	8,114
Investment in subsidiaries [1]:		
Bank	**26,393**	21,709
Nonbank	**4,845**	4,922
Other assets	**1,257**	1,558
Total assets	**$47,348**	$44,188
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term borrowings	**$ 5,848**	$ 7,274
Other liabilities	**900**	1,737
Long-term debt	**12,994**	10,804
Indebtedness to subsidiaries	**1,111**	499
Stockholders' equity	**26,495**	23,874
Total liabilities and stockholders' equity	**$47,348**	$44,188

(1) The double leverage ratio, which represents the ratio of the Parent's total equity investment in subsidiaries to its total stockholders' equity, was 118% and 112% at December 31, 2000 and 1999, respectively.

Consolidated Statement of Cash flows

(in millions)	Year ended December 31,		
	2000	1999	1998
Cash flows from operating activities:			
Net income	$ 4,026	$4,012	$2,191
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed income of subsidiaries	(659)	(2,071)	(621)
Depreciation and amortization	18	26	10
Securities available for sale gains	—	—	(3)
Release of preferred shares to ESOP	127	86	33
Other assets, net	295	114	(401)
Accrued expenses and other liabilities	(127)	536	618
Net cash provided by operating activities	3,680	2,703	1,827
Cash flows from investing activities:			
Securities available for sale:			
Proceeds from sales	739	348	185
Proceeds from prepayments and maturities	112	120	665
Purchases	(1,067)	(872)	(1,273)
Net advances to non-bank subsidiaries	(2,499)	724	(1,210)
Principal collected on notes/loans of subsidiaries	1,487	1,108	89
Capital notes and term loans made to subsidiaries	(2,007)	(505)	(1,158)
Net increase in investment in subsidiaries	(1,804)	(1,003)	(295)
Net cash used by investing activities	(5,039)	(80)	(2,997)
Cash flows from financing activities:			
Net (decrease) increase in short-term borrowings and indebtedness to subsidiaries	(743)	1,059	2,773
Proceeds from issuance of long-term debt	6,590	6,574	500
Repayment of long-term debt	(4,400)	(1,780)	(295)
Proceeds from issuance of common stock	422	517	171
Repurchases of common stock	(3,235)	(2,122)	(742)
Net decrease in ESOP loans	—	2	9
Payment of cash dividends	(1,586)	(1,436)	(1,113)
Net cash (used) provided provided by financing activities	(2,952)	2,814	1,303
Net change in cash and cash equivalents	(4,311)	5,437	133
Cash and cash equivalents at beginning of year	6,120	683	550
Cash and cash equivalents at end of year	$ 1,809	$6,120	$ 683

Note 20: WFC Holdings Corporation

WFC Holdings is a wholly owned subsidiary of the Parent and is the sole stockholder of Wells Fargo Bank, N.A. The Parent guarantees the debt obligations of WFC Holdings. In view of this, the summarized assets, liabilities and results of operations of WFC Holdings are presented below and on the following page. Prior year amounts have been restated due to certain legal reorganizations within the Company.

Summarized Consolidated Income Statement

(in millions)	Year ended December 31,		
	2000	1999	1998
Interest income	$7,373	$6,829	$7,085
Interest expense	2,970	2,270	2,508
Provision for loan losses	464	655	728
Noninterest income	5,515	4,301	3,925
Noninterest expense	6,605	6,239	5,923
Income before income tax expense	2,849	1,966	1,851
Income tax expense	1,229	889	892
Net income	$1,620	$1,077	$ 959

Summarized Consolidated Balance Sheet

(in millions)	December 31	
	2000	1999
ASSETS		
Cash and due from banks	$ 8,939	$ 7,899
Securities available for sale	10,215	12,452
Mortgages held for sale	1,447	1,511
Loans, net	70,796	65,547
Mortgage servicing rights	5,594	4,492
Other assets	29,404	20,381
Total assets	$126,395	$112,282
LIABILITIES AND STOCKHOLDER'S EQUITY		
Short-term borrowings	$ 17,410	$ 4,306
Long-term debt	6,590	4,148
Other liabilities	87,150	88,729
Guaranteed preferred beneficial interests in Company's subordinated debentures	785	785
Stockholder's equity	14,460	14,314
Total liabilities and stockholder's equity	$126,395	$112,282

Note 21: Legal Actions

In the normal course of business, the Company is at all times subject to numerous pending and threatened legal actions, some for which the relief or damages sought are substantial. After reviewing pending and threatened actions with counsel, management believes that the outcome of such actions will not have a material adverse effect on the results of operations or stockholders' equity of the Company. The Company is not able to predict whether the outcome of such actions may or may not have a material adverse effect on results of operations in a particular future period as the timing and amount of any resolution of such actions and its relationship to the future results of operations are not known.

Note 22: Risk-Based Capital

The Company and each of the subsidiary banks are subject to various regulatory capital adequacy requirements administered by the FRB and the OCC, respectively. The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) required that the federal regulatory agencies adopt regulations defining five capital tiers for banks: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements.

Quantitative measures, established by the regulators to ensure capital adequacy, require that the Company and each of the subsidiary banks maintain minimum ratios (set forth in the table on the following page) of capital to risk-weighted assets. There are three categories of capital under the guidelines. Tier 1 capital includes common stockholders' equity, qualifying preferred stock and trust preferred securities, less goodwill and certain other deductions (including the unrealized net gains and losses, after applicable taxes, on securities available for sale carried at fair value). Tier 2 capital includes preferred stock not qualifying as Tier 1 capital, subordinated debt, the allowance for loan losses and net unrealized gains on marketable equity securities, subject to limitations by the guidelines. Tier 2 capital is limited to the amount of Tier 1 capital (i.e., at least half of the total capital must be in the form of Tier 1 capital). Tier 3 capital includes certain qualifying unsecured subordinated debt.

Under the guidelines, capital is compared to the relative risk related to the balance sheet. To derive the risk included in the balance sheet, one of four risk weights (0%, 20%, 50% and 100%) is applied to the different balance sheet and off-balance sheet assets, primarily based on the relative credit risk of the counterparty. For example, claims guaranteed by the U.S. government or one of its agencies are risk-weighted at 0%. Off-balance sheet items, such as loan commitments and derivative financial instruments, are also applied a risk weight after calculating balance sheet equivalent amounts. One of four credit conversion factors (0%, 20%, 50% and 100%) is assigned to loan commitments based on the likelihood of the off-balance sheet item becoming an asset. For example,

certain loan commitments are converted at 50% and then risk-weighted at 100%. Derivative financial instruments are converted to balance sheet equivalents based on notional values, replacement costs and remaining contractual terms. (See Notes 5 and 23 for further discussion of off-balance sheet items.) The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Management believes that, as of December 31, 2000, the Company and each of the significant subsidiary banks met all capital adequacy requirements to which they are subject.

Under the FDICIA prompt corrective action provisions applicable to banks, the most recent notification from the OCC categorized each of the significant subsidiary banks as well capitalized. To be categorized as well capitalized, the institution must maintain a total risk-based capital ratio as set forth in the following table and not be subject to a capital directive order. There are no conditions or events since that notification that management believes have changed the risk-based capital category of any of the significant subsidiary banks.

(in billions)	Actual		For capital adequacy purposes		To be well capitalized under the FDICIA prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2000:						
Total capital (to risk-weighted assets)						
Wells Fargo & Company	$ 23.0	10.43%	≥$17.7	≥8.00%		
Wells Fargo Bank Minnesota, N.A. (formerly Norwest Bank Minnesota, N.A.)	3.2	11.05	≥ 2.3	≥8.00	≥$2.9	≥10.00%
Wells Fargo Bank, N.A.	11.5	11.93	≥ 7.7	≥8.00	≥ 9.6	≥10.00
Tier 1 capital (to risk-weighted assets)						
Wells Fargo & Company	$ 16.1	7.29%	≥$ 8.8	≥4.00%		
Wells Fargo Bank Minnesota, N.A.	2.9	10.16	≥ 1.1	≥4.00	≥$1.7	≥ 6.00%
Wells Fargo Bank, N.A.	6.8	7.12	≥ 3.8	≥4.00	≥ 5.8	≥ 6.00
Tier 1 capital (to average assets) (Leverage ratio)						
Wells Fargo & Company	$ 16.1	6.49%	≥$ 9.9	≥4.00%(1)		
Wells Fargo Bank Minnesota, N.A.	2.9	5.71	≥ 2.0	≥4.00 (1)	≥$2.6	≥ 5.00%
Wells Fargo Bank, N.A.	6.8	6.77	≥ 4.0	≥4.00 (1)	≥ 5.1	≥ 5.00

(1) The leverage ratio consists of Tier 1 capital divided by quarterly average total assets, excluding goodwill and certain other items. The minimum leverage ratio guideline is 3% for banking organizations that do not anticipate significant growth and that have well-diversified risk, excellent asset quality, high liquidity, good earnings, effective management and monitoring of market risk and, in general, are considered top-rated, strong banking organizations.

Note 23: Derivative Financial Instruments

The Company enters into a variety of financial contracts, which include interest rate futures and forward contracts, interest rate floors and caps, options and interest rate swap agreements. The contract or notional amount of a derivative is used to determine, along with the other terms of the derivative, the amounts to be exchanged between the counterparties. Because the contract or notional amount does not represent amounts exchanged by the parties, it is not a measure of loss exposure related to the use of derivatives nor of exposure to liquidity risk. The Company is primarily an end-user of these instruments. The Company also offers such contracts to its customers but offsets such contracts by purchasing other financial contracts or uses the contracts for asset/liability management. To a lesser extent, the Company takes positions based on market expectations or to benefit from price differentials between financial instruments and markets.

The Company is exposed to credit risk in the event of nonperformance by counterparties to financial instruments. The Company controls the credit risk of its financial contracts except for contracts for which credit risk is *de minimus* through credit approvals, limits and monitoring procedures. Credit risk related to derivative financial instruments is considered and, if material, provided for separately from the allowance for loan losses. As the Company generally enters into transactions only with high quality counterparties, losses associated with counterparty nonperformance on derivative financial instruments have been immaterial. Further, the Company obtains collateral where appropriate and uses master netting arrangements in accordance with FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts*, as amended by FASB Interpretation No. 41, *Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements*.

The following table summarizes the aggregate notional or contractual amounts, credit risk amount and estimated net fair value for the Company's derivative financial instruments at December 31, 2000 and 1999.

(in millions)	December 31,					
	2000			1999		
	Notional or contractual amount	**Credit risk amount[3]**	**Estimated net fair value**	Notional or contractual amount	Credit risk amount[3]	Estimated net fair value
ASSET/LIABILITY MANAGEMENT HEDGES						
Interest rate contracts:						
Swaps [1]	**$25,817**	**$391**	**$368**	$32,846	$109	$(244)
Futures	**71,484**	**—**	**141**	50,885	—	(2)
Floors and caps [1]	**20,139**	**191**	**191**	41,142	110	110
Options [1][2]	**20,620**	**275**	**267**	11,940	22	43
Forwards [1]	**21,392**	**69**	**(93)**	22,528	108	41
Foreign exchange contracts:						
Forwards [1]	**72**	**—**	**(2)**	138	1	—
CUSTOMER ACCOMMODATIONS						
Interest rate contracts:						
Swaps [1]	**40,934**	**635**	**58**	21,716	158	(10)
Futures	**17,890**	**—**	**—**	22,839	—	—
Floors and caps purchased [1]	**14,196**	**107**	**107**	6,149	52	52
Floors and caps written	**15,310**	**—**	**(76)**	5,823	—	(53)
Options purchased [1]	**1,205**	**12**	**12**	741	30	30
Options written	**71**	**—**	**(3)**	1,101	—	(51)
Forwards [1]	**150**	**2**	**(1)**	164	6	1
Commodity contracts:						
Swaps [1]	**167**	**57**	**1**	116	10	—
Floors and caps purchased [1]	**58**	**8**	**8**	30	2	2
Floors and caps written	**57**	**—**	**(8)**	30	—	(2)
Foreign exchange contracts:						
Forwards [1]	**7,283**	**150**	**31**	4,416	62	30
Options purchased [1]	**42**	**1**	**1**	41	—	—
Options written	**42**	**—**	**(1)**	42	—	(1)

(1) The Company anticipates performance by substantially all of the counterparties for these contracts or the underlying financial instruments.
(2) At December 31, 2000, the purchased option contracts were options on futures contracts, which are exchange traded for which the exchange assumes counterparty risk.
(3) Credit risk amounts reflect the replacement cost for those contracts in a gain position in the event of nonperformance by counterparties.

Interest rate futures and forward contracts are contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specific financial instrument at a predetermined price or yield. These contracts may be settled either in cash or by delivery of the underlying financial instrument. Futures contracts are standardized and are traded on exchanges. Gains and losses on futures contracts are settled daily with the exchange based on a notional principal value. The exchange assumes the risk that a counterparty will not pay and generally requires margin payments to minimize such risk. Market risks arise from movements in interest rates and security values. The Company uses futures contracts on Eurodollar deposits and U.S. Treasury notes to reduce the price risk of interest-sensitive assets ($71 billion at December 31, 2000), primarily mortgage servicing rights. Initial margin requirements on futures contracts are provided by investment securities pledged as collateral.

Interest rate floors and caps are interest rate protection instruments that involve the payment from the seller to the buyer of an interest differential. This differential represents the difference between a short-term rate (e.g., three-month LIBOR) and an agreed-upon rate (the strike rate) applied to a notional principal amount. By purchasing a floor, the Company will be paid the differential by a counterparty, should the current short-term rate fall below the strike level of the agreement. The Company generally receives cash quarterly on purchased floors (when the current interest rate falls below the strike rate) and purchased caps (when the current interest rate exceeds the strike rate). The primary risk associated with purchased floors and caps is the ability of the counterparties to meet the terms of the contract. Of the total purchased floors and caps for asset/liability management of $20 billion at December 31, 2000, the Company had $8 billion of floors to protect variable-rate loans from a drop in interest rates. The Company also had purchased floors of $12 billion at December 31, 2000 to hedge mortgage servicing rights. Cash flows from the floors offset lost future servicing revenue caused by increased levels of loan prepayments associated with lower interest rates.

Interest rate swap contracts are entered into primarily as an asset/liability management strategy to reduce interest rate risk. Interest rate swap contracts are exchanges of interest payments, such as fixed-rate payments for floating-rate payments, based on a notional principal amount. Payments related to the Company's swap contracts are made either monthly, quarterly or semi-annually by one of the parties depending on the specific terms of the related contract. The primary risk associated with all swaps is the exposure to movements in interest rates and the ability of the counterparties to meet the terms of the contract. At December 31, 2000, the Company had $26 billion of interest rate swaps outstanding for interest rate risk management purposes on which the Company receives payments based on fixed interest rates and makes payments based on variable rates (e.g., three-month LIBOR). Included in this amount, $16 billion was used to convert floating-rate loans into fixed-rate assets. The remaining swap contracts used for interest rate risk management of $10 billion at December 31, 2000 were used to hedge interest rate risk of various other specific assets and liabilities.

Options are contracts that grant the purchaser, for a premium payment, the right, but not the obligation, to either purchase or sell the underlying financial instrument at a set price during a period or at a specified date in the future. The writer of the option is obligated to purchase or sell the underlying financial instrument, if the purchaser chooses to exercise the option. The writer of the option receives a premium when the option is entered into and bears the risk of an unfavorable change in the price of the underlying financial instrument. Of the total options for asset/liability management of $21 billion at December 31, 2000, the Company had $3 billion of options on futures contracts and $14 billion of options on swaptions contracts hedging mortgage servicing rights. The futures exchange assumes the risk that a counterparty will not pay. Market risks arise from movements in interest rates and/or security values. The remaining options used for interest rate risk management of $4 billion at December 31, 2000 were used to hedge interest rate risk of various other specific assets.

The Company has entered into futures contracts and mandatory and standby forward contracts, including options on futures and forward contracts, to reduce interest rate risk on certain mortgage loans held for sale and other commitments. For forward contracts, the primary risk is the exposure to movements in interest rates and the ability of the counterparties to meet the terms of the contracts. The net unrealized gain on these futures and forward contracts at December 31, 2000 was $151 million, compared with an unrealized loss of $136 million at December 31, 1999. These contracts mature within 180 days.

Note 24: Fair Value of Financial Instruments

FAS 107, *Disclosures about Fair Value of Financial Instruments*, requires that the Company disclose estimated fair values for its financial instruments. Fair value estimates, methods and assumptions set forth below for the Company's financial instruments are made solely to comply with the requirements of this Statement and should be read in conjunction with the financial statements and notes in this Annual Report. The carrying amounts in the table on page 96 are recorded in the Consolidated Balance Sheet under the indicated captions, except for the derivative financial instruments, which are recorded in the specific asset or liability balance being hedged or in other assets if the derivative financial instrument is a customer accommodation.

Fair values are based on estimates or calculations using present value techniques in instances where quoted market prices are not available. Because broadly traded markets do not exist for most of the Company's financial instruments, the fair value calculations attempt to incorporate the effect of current market conditions at a specific time. Fair valuations are management's estimates of the values, and they are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the financial instruments and other such factors. These calculations are subjective in nature, involve uncertainties and matters of significant judgment and do not include tax ramifications; therefore, the results cannot be determined with precision, substantiated by comparison to independent markets and may not be realized in an actual sale or immediate settlement of the instruments. There may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results. The Company has not included certain material items in its disclosure, such as the value of the long-term relationships with the Company's deposit, credit card and trust customers, since these intangibles are not financial instruments. For all of these reasons, the aggregation of the fair value calculations presented herein do not represent, and should not be construed to represent, the underlying value of the Company.

Financial Assets

SHORT-TERM FINANCIAL ASSETS

Short-term financial assets include cash and due from banks, federal funds sold and securities purchased under resale agreements and due from customers on acceptances. The carrying amount is a reasonable estimate of fair value because of the relatively short period of time between the origination of the instrument and its expected realization.

SECURITIES AVAILABLE FOR SALE

Securities available for sale at December 31, 2000 and 1999 are set forth in Note 4.

Loans

The fair valuation calculation process differentiates loans based on their financial characteristics, such as product classification, loan category, pricing features and remaining maturity. Prepayment estimates are evaluated by product and loan rate.

The fair value of commercial loans, other real estate mortgage loans and real estate construction loans is calculated by discounting contractual cash flows using discount rates that reflect the Company's current pricing for loans with similar characteristics and remaining maturity.

For real estate 1-4 family first and junior lien mortgages, fair value is calculated by discounting contractual cash flows, adjusted for prepayment estimates, using discount rates based on current industry pricing for loans of similar size, type, remaining maturity and repricing characteristics.

For credit card loans, the portfolio's yield is equal to the Company's current pricing and, therefore, the fair value is equal to book value.

For other consumer loans, the fair value is calculated by discounting the contractual cash flows, adjusted for prepayment estimates, based on the current rates offered by the Company for loans with similar characteristics.

For auto lease financing, the fair value is calculated by discounting the contractual cash flows at the Company's current pricing for items with similar remaining terms, not including tax benefits.

Commitments, standby letters of credit and commercial and similar letters of credit not included in the previous table have contractual values of $92.7 billion, $5.6 billion and $729 million, respectively, at December 31, 2000, and $82.3 billion, $4.8 billion and $766 million, respectively, at December 31, 1999. These instruments generate ongoing fees at the Company's current pricing levels. Of the commitments at December 31, 2000, 64% mature within one year.

NONMARKETABLE EQUITY INVESTMENTS

There are restrictions on the sale and/or liquidation of the Company's nonmarketable equity investments, which are generally in the form of limited partnerships; and the Company has no direct control over the investment decisions of the limited partnerships. To estimate fair value, a significant portion of the underlying limited partnerships' investments are valued based on market quotes.

Financial Liabilities

DEPOSIT LIABILITIES

FAS 107 states that the fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, interest-bearing checking and market rate and other savings, is equal to the amount payable on demand at the measurement date. Although the FASB's requirement for these categories is not consistent with the market practice of using prevailing interest rates to value these amounts, the amount included for these deposits in the previous table is their carrying value at December 31, 2000 and 1999. The fair value of other time deposits is calculated based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for like deposits with similar remaining maturities.

SHORT-TERM FINANCIAL LIABILITIES

Short-term financial liabilities include federal funds purchased and securities sold under repurchase agreements, commercial paper and other short-term borrowings. The carrying amount is a reasonable estimate of fair value because of the relatively short period of time between the origination of the instrument and its expected realization.

LONG-TERM DEBT

The fair value of the Company's underwritten long-term debt is estimated based on the quoted market prices of the instruments. The fair value of the medium-term note programs, which are part of long-term debt, is calculated based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for new notes with similar remaining maturities.

GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY'S SUBORDINATED DEBENTURES

The fair value of the Company's trust preferred securities is estimated based on the quoted market prices of the instruments.

Derivative Financial Instruments

The fair value of derivative financial instruments is based on the estimated amounts that the Company would receive or pay to terminate the contracts at the reporting date (i.e., mark-to-market value). Dealer quotes are available for substantially all of the Company's derivative financial instruments.

Limitations

These fair value disclosures are made solely to comply with the requirements of FAS 107. The calculations represent management's best estimates; however, due to the lack of broad markets and the significant items excluded from this disclosure, the calculations do not represent the underlying value of the Company. The information presented is based on fair value calculations and market quotes as of December 31, 2000 and 1999. These amounts have not been updated since year end; therefore, the valuations may have changed significantly since that point in time.

As discussed above, certain of the Company's asset and liability financial instruments are short-term, and therefore, the carrying amounts in the Consolidated Balance Sheet approximate fair value. Other significant assets and liabilities, which are not considered financial assets or liabilities and for which fair values have not been estimated, include premises and equipment, goodwill and other intangibles, deferred taxes and other liabilities.

The following table presents a summary of the Company's remaining financial instruments, as defined by FAS 107:

(in millions)	December 31,			
	2000		1999	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
FINANCIAL ASSETS				
Mortgages held for sale	**$ 11,812**	**$ 11,812**	$ 12,678	$ 12,826
Loans, net [1]	**157,396**	**154,379**	129,655	127,140
Nonmarketable equity investments	**4,142**	**4,435**	3,525	3,854
FINANCIAL LIABILITIES				
Deposits	**$169,559**	**$169,535**	$145,918	$144,737
Long-term debt [2]	**32,019**	**31,869**	26,836	26,553
Guaranteed preferred beneficial interests in Company's subordinated debentures	**935**	**967**	935	886
DERIVATIVE FINANCIAL INSTRUMENTS [3]				
Interest rate contracts:				
Floors and caps purchased	**$ 184**	**$ 298**	$ 274	$ 162
Floors and caps written	**(76)**	**(76)**	(64)	(53)
Options purchased	**106**	**287**	83	76
Options written	**(13)**	**(11)**	(55)	(55)
Swaps	**177**	**427**	238	(254)
Futures	**141**	**141**	—	—
Forwards	**(245)**	**(94)**	18	42
Foreign exchange contracts	**31**	**29**	27	29

(1) Loans are net of deferred fees on loan commitments and standby letters of credit of $9 million and $5 million at December 31, 2000 and 1999, respectively.
(2) The carrying amount and fair value exclude obligations under capital leases of $27 million and $30 million at December 31, 2000 and 1999, respectively.
(3) The carrying amounts include unamortized fees paid or received and gains or losses on derivative financial instruments receiving mark-to-market treatment.

Independent Auditors' Report

The Board of Directors and Stockholders of Wells Fargo & Company:

We have audited the accompanying consolidated balance sheet of Wells Fargo & Company and Subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wells Fargo & Company and Subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

San Francisco, California
January 16, 2001

Quarterly Financial Data

Condensed Consolidated Statement of Income — Quarterly (Unaudited)

(in millions, except per share amounts)	2000 Quarter ended				1999 Quarter ended			
	Dec. 31	Sept. 30[1]	June 30[1]	Mar. 31[1]	Dec. 31[1]	Sept. 30[1]	June 30[1]	Mar. 31[1]
INTEREST INCOME	$ 4,934	$ 4,870	$ 4,543	$ 4,378	$ 4,173	$ 4,042	$ 3,865	$ 3,852
INTEREST EXPENSE	2,140	2,095	1,879	1,746	1,569	1,465	1,375	1,409
NET INTEREST INCOME	2,794	2,775	2,664	2,632	2,604	2,577	2,490	2,443
Provision for loan losses	352	425	275	276	294	253	271	287
Net interest income after provision for loan losses	2,442	2,350	2,389	2,356	2,310	2,324	2,219	2,156
NONINTEREST INCOME								
Service charges on deposit accounts	437	435	428	404	418	408	389	366
Trust and investment fees	421	412	394	397	358	346	341	321
Credit card fees	145	154	134	131	151	146	134	139
Other fees	337	340	307	287	283	274	285	253
Mortgage banking	434	341	336	334	306	367	375	359
Insurance	119	80	117	95	87	98	122	88
Net venture capital gains	203	535	320	885	721	162	13	112
Net gains (losses) on securities available for sale	259	(341)	(39)	(601)	(261)	(2)	28	7
Other	256	99	138	111	144	149	279	210
Total noninterest income	2,611	2,055	2,135	2,043	2,207	1,948	1,966	1,855
NONINTEREST EXPENSE								
Salaries	920	945	906	881	867	846	815	779
Incentive compensation	222	271	185	168	164	150	166	164
Employee benefits	247	241	245	255	215	227	238	221
Equipment	307	211	208	221	294	217	203	213
Net occupancy	247	236	233	238	200	217	197	198
Goodwill	141	136	136	117	135	109	107	106
Core deposit intangible	45	46	47	48	51	51	52	53
Net losses (gains) on dispositions of premises and equipment	3	(9)	(17)	(34)	(10)	6	(13)	2
Other	1,086	947	909	842	963	809	820	802
Total noninterest expense	3,218	3,024	2,852	2,736	2,879	2,632	2,585	2,538
INCOME BEFORE INCOME TAX EXPENSE	1,835	1,381	1,672	1,663	1,638	1,640	1,600	1,473
Income tax expense	707	560	635	623	600	608	604	527
NET INCOME	$ 1,128	$ 821	$ 1,037	$ 1,040	$ 1,038	$ 1,032	$ 996	$ 946
NET INCOME APPLICABLE TO COMMON STOCK	$ 1,124	$ 816	$ 1,033	$ 1,036	$ 1,029	$ 1,023	$ 987	$ 937
EARNINGS PER COMMON SHARE	$ .66	$ .48	$ .61	$ .61	$ .60	$ .60	$ .58	$ .55
DILUTED EARNINGS PER COMMON SHARE	$ .65	$ .47	$ .61	$ .61	$ .59	$ .59	$ .57	$ .54
DIVIDENDS DECLARED PER COMMON SHARE	$ .24	$ .22	$ .22	$ .22	$ .20	$ .20	$ .20	$ .185
Average common shares outstanding	1,710.5	1,707.7	1,682.8	1,696.7	1,705.1	1,718.0	1,719.3	1,713.9
Diluted average common shares outstanding	1,732.4	1,728.0	1,702.6	1,711.3	1,727.5	1,738.4	1,742.0	1,732.9

(1) Amounts have been restated to reflect the pooling-of-interests accounting treatment of the FSCO Merger. The restated amounts include adjustments to conform the accounting policies of First Security and Wells Fargo.

Average Balances, Yields and Rates Paid (Taxable-Equivalent Basis) — Quarterly [1][2] (Unaudited)

(in millions)	Quarter ended December 31, 2000			1999		
	Average balance	Yields/ rates	Interest income/ expense	Average balance	Yields/ rates	Interest income/ expense
EARNING ASSETS						
Federal funds sold and securities purchased under resale agreements	$ 2,128	5.48%	$ 29	$ 2,162	5.06%	$ 27
Debt Securities available for sale [3]:						
Securities of U.S. Treasury and federal agencies	2,808	6.60	46	6,070	5.55	90
Securities of U.S. states and political subdivisions	1,984	7.31	36	2,106	8.09	43
Mortgage-backed securities:						
Federal agencies	24,981	7.35	454	23,706	6.82	412
Private collateralized mortgage obligations	1,333	10.01	34	3,595	6.86	64
Total mortgage-backed securities	26,314	7.48	488	27,301	6.82	476
Other debt securities [4]	4,205	8.00	65	4,588	7.62	62
Total debt securities available for sale [4]	35,311	7.45	635	40,065	6.76	671
Mortgages held for sale [3]	11,895	7.74	232	11,132	7.12	202
Loans held for sale [3]	4,410	8.59	95	4,844	7.62	93
Loans:						
Commercial	48,576	9.48	1,157	40,420	8.92	909
Real estate 1-4 family first mortgage	18,293	7.97	365	13,467	7.89	266
Other real estate mortgage	23,597	8.86	525	19,895	8.59	430
Real estate construction	7,576	10.01	191	5,945	9.53	143
Consumer:						
Real estate 1-4 family junior lien mortgage	17,510	10.67	468	12,579	10.11	319
Credit card	6,160	15.14	233	5,603	13.66	191
Other revolving credit and monthly payment	22,576	12.25	692	20,327	12.23	623
Total consumer	46,246	12.04	1,393	38,509	11.75	1,133
Lease financing	9,984	7.46	186	9,520	7.98	190
Foreign	1,588	21.18	84	1,572	20.87	83
Total loans [5]	155,860	9.98	3,901	129,328	9.71	3,154
Other	3,049	6.64	51	4,085	4.43	45
Total earning assets	$212,653	9.33	4,943	$191,616	8.72	4,192
FUNDING SOURCES						
Deposits:						
Interest-bearing checking	$ 3,664	2.24	21	$ 3,062	1.13	9
Market rate and other savings	65,404	3.02	497	61,399	2.27	351
Savings certificates	30,923	5.66	440	29,020	4.84	354
Other time deposits	4,932	5.98	73	3,833	4.98	48
Deposits in foreign offices	6,327	6.38	102	2,244	5.12	29
Total interest-bearing deposits	111,250	4.05	1,133	99,558	3.15	791
Short-term borrowings	27,253	6.54	448	24,930	5.48	344
Long-term debt	31,336	6.88	540	27,233	6.11	416
Guaranteed preferred beneficial interests in Company's subordinated debentures	935	7.97	19	935	7.83	18
Total interest-bearing liabilities	170,774	4.99	2,140	152,656	4.09	1,569
Portion of noninterest-bearing funding sources	41,879	—	—	38,960	—	—
Total funding sources	$212,653	4.03	2,140	$191,616	3.26	1,569
Net interest margin and net interest income on a taxable-equivalent basis (6)		5.30%	$2,803		5.46%	$2,623
NONINTEREST-EARNING ASSETS						
Cash and due from banks	$ 13,758			$ 13,075		
Goodwill	9,215			7,953		
Other	24,345			19,045		
Total noninterest-earning assets	$ 47,318			$ 40,073		
NONINTEREST-BEARING FUNDING SOURCES						
Deposits	$ 51,856			$ 45,408		
Other liabilities	11,028			10,050		
Preferred stockholders' equity	266			461		
Common stockholders' equity	26,047			23,114		
Noninterest-bearing funding sources used to fund earning assets	(41,879)			(38,960)		
Net noninterest-bearing funding sources	$ 47,318			$ 40,073		
TOTAL ASSETS	$259,971			$231,689		

(1) The average prime rate of the Company was 9.50% and 8.37% for the quarters ended December 31, 2000 and 1999, respectively. The average three-month London Interbank Offered Rate (LIBOR) was 6.69% and 6.14% for the same quarters, respectively.
(2) Interest rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.
(3) Yields are based on amortized cost balances computed on a settlement date basis.
(4) Includes certain preferred securities.
(5) Nonaccrual loans and related income are included in their respective loan categories.
(6) Includes taxable-equivalent adjustments that primarily relate to income on certain loans and securities that is exempt from federal and applicable state income taxes. The federal statutory tax rate was 35% for both quarters presented.

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Wells Fargo & Company

2000 Market Recognition

- **Fortune** — Most admired U.S. commercial bank
- **Fortune** — Second most admired bank globally
- **Forbes** — Best bank for "valuing customers' time"
- **Global Finance** — Among top 5 U.S. banks for Internet and consumer banking
- **Global Finance** — Safest U.S. bank
- **Global Finance** — Best bank in U.S.
- **Gomez Advisors** — #1 among all bank Internet sites for "ease of use"
- **Solomon Smith Barney** — One of 10 best for integrating the Internet
- **SmartMoney** — Best bank in U.S.

WFC
Listed
NYSE

Shareholder Information

Assets	$272 billion
Stores	5,419
Customers	19 million
Common Shares Outstanding	1,714,645,843
Return on Common Equity	17.16%
Market Capitalization	$95.2 billion
Price/Earnings Ratio	18.1x
Symbol	WFC
Listings	New York Stock Exchange Chicago Stock Exchange
Shareowner Services	Wells Fargo Bank Minnesota, N.A. 1-877-840-0492

Wells Fargo Direct Purchase Plan You may buy Wells Fargo stock directly from Wells Fargo, even if you're not now a Wells Fargo stockholder, through optional cash payments or automatic monthly deductions from a bank account. You may also have your dividends reinvested automatically. It's a convenient and economical way to increase your Wells Fargo investment. Call 1-800-813-3324 for an enrollment kit including a plan prospectus.

Investor Information For more copies of this report, other Wells Fargo investor materials or the latest Wells Fargo stock price, call 1-888-662-7865.

Annual Stockholders' Meeting 1:00 p.m. Tuesday, April 24, 2001, 420 Montgomery St., San Francisco, Calif. Proxy statement and form of proxy will be mailed to stockholders beginning on or about March 21, 2001.

Copies of Form 10-K **The Company will send the Wells Fargo Annual Report on Form 10-K for 2000 (including the financial statements filed with the Securities and Exchange Commission) without charge to any stockholder who asks for a copy in writing.** Stockholders also can ask for copies of any exhibit to the Form 10-K. The Company will charge a fee to cover expenses to prepare and send any exhibits. Please send requests to: Corporate Secretary, Wells Fargo & Company, Wells Fargo Center, MAC N9305-173, Sixth and Marquette, Minneapolis, Minnesota 55479.

Service Odyssey

Mike Stakes and **Amy Poppler** of Wells Fargo Home Mortgage in Minneapolis headed to Modesto, Calif. to offer a mortgage relocation program to employees of a *Fortune* 100 company affected by a plant closing. Here's their four-day, five-city odyssey:

Monday

3:00 p.m. CT	Flight from Minneapolis cancelled
6:00	Next available flight to Portland, Ore.
8:30 PT	Flight arrives Portland
10:00	Flight to Sacramento

Tuesday

12:30 a.m. PT	Flight arrives Sacramento—luggage lost
2:30	Arrive Modesto motel by car
3:00	Buy needed business attire at 24-hour Wal-Mart
4:30	Awake
5:00	Presentation (during shift change)—first of five one-hour presentations

Wednesday

7:00 p.m. PT	Presentations finished
8:00	Modesto to San Francisco by car

Thursday

11:30 a.m. PT	Depart for Minneapolis

Thanks to their perseverance and outstanding customer service, Wells Fargo funded mortgages worth almost $2.6 million for 17 relocated employees.

OUR VISION

We want to satisfy all the financial needs of our customers, help them succeed financially, be recognized as the premier financial services company in our markets and be one of America's great companies.

NUESTRA VISION

Deseamos satisfacer todas las necesidades financieras de nuestros clientes, ayudarlos a tener éxito en el área financiera, ser reconocidos como la compañía de servicios financieros más importante de nuestros mercados y ser reconocidos como una de las grandes compañías de norteamerica.

我們的目標

我們希望能滿足客戶在所有財務方面的需求，幫助他們在財務上發展成功，在我們的市場中被公認為首選的金融財務公司，同時成為美國最佳公司之一.

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